REPORT OF THE REVIEW GROUP ON UK HIGHER EDUCATION SECTOR AGENCIES
FOREWORD

Our universities are a source of great strength, and the UK higher education sector is something of which we can rightly be very proud. Millions of students benefit from our excellence in teaching and learning, and our research base is globally recognised as world-leading. However, the past five years have been a period of profound change, and the future continues to look extremely challenging.

These challenges have affected all stakeholders in UK higher education. Universities, funders and government departments, and the sector agencies that have played such an important role in UK higher education over many years, have all had to adapt to a new and dynamic operating environment. It was in this context – of significant changes in the policy and funding landscape, and a recognition that the needs of universities were changing as the operating environment evolved – that Universities UK (UUK) and GuildHE launched the review of UK higher education sector agencies.

As this report sets out, sector agencies have been integral to the success of our higher education sector, yet there is a need for reform. Agencies must to adapt to ensure they are able to meet the needs of the sector in the future. This report articulates an ambitious and challenging programme of reforms that will deliver a new settlement between agencies and the sector. We commend Sir David Bell, as chair of the review group, and his colleagues, for the thoughtful and considered set of recommendations presented in this report. It is now imperative that all stakeholders come together to implement, in full, the framework of recommendations set out by Sir David and his review group. This endeavour must include university leaders, their representative bodies, sector agencies and other stakeholders.

Finally, on behalf of the review group and all of our colleagues at UUK and GuildHE, we would like to extend our thanks to the representatives of the sector agencies who have contributed greatly to the important work of the review group. All played a full role in the review, and committed considerable time and resources to providing the evidence that has underpinned the deliberations of the group. This work shaped the findings presented in this report to a considerable degree.
The higher education sector rightly values the spirit of co-ownership and co-development that underpins so much of what we do, and it is a testament to the agencies and their leaders that such a sensitive and challenging issue was addressed in a spirit of cooperation and thoughtful engagement throughout. The professionalism and expertise of colleagues in sector agencies have been invaluable.

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EXECUTIVE SUMMARY

UK higher education has a global reputation for excellence, and sector agencies have played an important role in supporting universities to deliver world-class teaching, learning and research. However, changes in the policy, funding and operating environment made it timely to review the current framework of agencies, and to consider how they might best meet the needs of universities and other stakeholders in the future.

The bodies grouped together as ‘sector agencies’ represent a diverse range of organisations that have a variety of roles. They fulfil statutory and regulatory functions; deliver core functions and services that are essential to the effective operation of higher education institutions; and provide a range of developmental services that support institutions to address their strategic objectives. They vary hugely in size, strategic focus and in terms of their key user communities.

Like universities, the sector agencies have faced significant challenges in recent years. The funding environment has been fluid and uncertain, while issues around devolution, policy divergence between the nations of the UK and regulatory uncertainty have impacted on their ability to operate effectively. The move to a more market-orientated higher education sector with a broader range of providers, new relationships with members, and new relationships between universities and students, have all altered the needs of institutions and other stakeholders.

While recognising the significance of these challenges, university leaders and other stakeholders identified a number of issues within the current sector agency landscape. There are widely held concerns over the rising cost of agencies to institutions, and a perceived lack of clarity over agency roles in an evolving environment. A lack of effective coordination of the landscape at the sector level, allied to the need for some agencies to diversify income streams, has led to a degree of mission-creep and duplication of services. Overall, there has been some loss of collegiality across the agency landscape, which has led to opportunities for better coordination of activities, and the development of more effective and joined-up services for institutions, being missed. It was also a common view across institutional leaders that there needs to be a more flexible and responsive approach to funding agencies, with subscriptions focused on a smaller set of core activities and other services available on a paid-for, optional basis.

The review group also identified a number of broader issues for consideration by a range of stakeholders. The review calls for continued public investment in core infrastructure such as the Janet network; for agencies to ensure continued access to key sector frameworks such as the UK Professional Standards Framework and the Quality Code, which must continue to be owned by the sector; for greater clarity over data collection requests and ownership of sector-
generated data; and progress to be made on fair access to such data for the institutions that provide it.

There also needs to be an ongoing focus to ensure that agency services reflect the diverse needs of all institutions across the nations of the UK. Finally, sector agencies and other bodies taking subscriptions from institutions – especially those that fulfil statutory functions – must ensure that costs, efficiency and value for money are priority issues.

Following a wide-ranging process of consultation and engagement, the review group identified a number of parameters to orientate the framework of recommendations found in Part 4 of this report. It was agreed that these recommendations should:

- provide clarity over the scope of services required and expectations of owners and subscribing institutions
- set out a template for a more coherent sector agency landscape that meets the future needs of the community
- improve communication and engagement between agencies, owners and subscribing institutions
- enhance the governance and leadership role of UUK and GuildHE as key members of sector agencies
- create more effective links between agencies, the UUK and GuildHE boards and appropriate networks of subscribing institutions
- manage the subscription burden on institutions and incentivise a move towards greater choice and optionality in purchasing services
- deliver value for money and encourage agencies to demonstrate this to owners, representative bodies and subscribing institutions

To address these priorities, the review group articulated a framework of recommendations, which focus on three interlinked areas. An overview of this framework of recommendations is found on pages 6–8. In summary, the areas of focus are:

- the overall configuration of the sector agency landscape, with a view to reducing the number of agencies drawing subscriptions from institutions while enhancing the overall coherence of the landscape
- changes to governance and oversight that will address the lack of coordination, and ensure that agency activities are clearly focused on delivering services that higher education institutions want
- shared objectives common to all agencies that will help improve operational effectiveness and enable a better relationship between institutions and agencies
SUMMARY OF RECOMMENDATIONS

A. A NEW FRAMEWORK OF SECTOR AGENCIES

A new body to support institutions in key strategic areas

Recommendation 1: The core functions of the Equality Challenge Unit (ECU), the Higher Education Academy (HEA) and the Leadership Foundation for Higher Education (LFHE) should be merged into a single body to create a new, more responsive and holistic sector agency. This new body will support institutions to meet strategic challenges as they relate to equality and diversity, learning and teaching, and leadership and governance. It should seek to realise the full potential of bringing these functions together in one single organisation. The timetable for delivering the new body is September 2017, and for a new subscription model to be in place for September 2018.

Recommendation 2: In expectation that the merger proposed in Recommendation 1 is taken forward, the review group notes that there will need to be stability over a transitional period. Affected agencies are urged to freeze all subscription rates and packages. UUK and GuildHE members are urged to maintain their subscriptions over the transition period.

A new partnership to coordinate data functions and services more effectively

Recommendation 3: The Higher Education Careers Service Unit (HECSU), Higher Education Statistics Agency (HESA), Jisc and UCAS should form a strategic delivery partnership with a focus on improving the efficiency and effectiveness of data-related functions and services. The partnership should aim to better coordinate data and innovation-led activities, with a focus on reducing the administrative burden on institutions and enhancing the overall impact and effectiveness of the system. The HESA Data Futures project may form an important part of the partnership’s future programme of work.

A new model for HECSU

Recommendation 4: The HECSU board should move towards a subscription-free funding model over the next two years.

Extending the benefits of operational cost-sharing

Recommendation 5: Work to share operational costs is welcomed and should continue. In particular, the development of the M5 Group of sector agencies¹ represents a positive step and should seek to include all agencies that might reasonably benefit from the services being developed.

¹ Comprising HESA, JISC and the Quality Assurance Agency (QAA) for Higher Education
B. ENHANCING GOVERNANCE, OVERSIGHT AND COORDINATION

Recommendation 6: A forum should be established for chairs of sector agencies, with senior representation from both UUK and GuildHE. The purpose of this forum will be to enhance accountability to the sector, provide a mechanism for inter-agency communication and dialogue, and support an effective and coordinated approach to engaging with emerging policy agendas. This forum should also take a collective view of the costs of agencies to higher education institutions, and play a role in coordinating the implementation of the review recommendations.

Recommendation 7: There should be an expectation that UUK and GuildHE nominees are aware of relevant policy positions of their nominating organisation. Links with relevant UUK and GuildHE officers should be articulated more clearly.

Recommendation 8: Links should be made between agencies and relevant UUK and GuildHE networks of members. This will be particularly important for the strategic delivery partnership for data functions and services, and would help to provide a responsive forum through which input could be sought on strategic and operational issues.

C. SHARED OBJECTIVES TO ENHANCE THE INSTITUTION–AGENCY RELATIONSHIP

Recommendation 9: All agencies will be asked to consider how they might address a number of broad strategic challenges in the future, and to work with UUK and GuildHE to deliver a more responsive sector agency landscape. As a priority, the agencies should seek to:

- embed more effective engagement and consultation with members within their processes
- deliver more effective inter-agency working, and better coordination of activities between agencies
- offer greater choice and more flexible subscription models, where appropriate
- evidence and demonstrate value for money to members and to the wider sector
- enable and support access to sector-developed assets and resources

Progress against addressing these priorities should be considered at the sector agency chairs’ forum (Recommendation 6) and a summary of actions should be reported to the UUK and GuildHE boards on an annual basis.
D. IMPLEMENTING THE RECOMMENDATIONS OF THE REVIEW

**Recommendation 10:** A transition group should be established to help coordinate the delivery of the proposed merged body set out in Recommendation 1. This group will agree on the key elements and programme for the delivery of the proposed merged body, including liaison with the relevant governance bodies to secure their support. The transition group should consist of the chairs and additional nominated board representatives of ECU, HEA and LFHE, plus representation from UUK and GuildHE. A member of the present review group will chair this group.

**Recommendation 11:** The sector agency chairs’ forum (Recommendation 6) should report to the UUK and GuildHE boards. A summary of actions taken across the sector agency landscape to implement the recommendations of this review, alongside an analysis of aggregate costs to institutions of subscriptions to sector agencies, should be submitted to the UUK and GuildHE boards on an annual basis.
INTRODUCTION

The sector agencies are a diverse group of organisations that provide functions and services to higher education providers. Over many years they have been established and developed to meet a number of political, sector and regulatory challenges and needs. Individually and collectively, they have long been an integral part of the environment in which universities operate, and have demonstrated the sector’s ability to act collectively and to deliver approaches that are co-developed by and for institutions. However, significant changes in the policy and funding landscape have created a very different operating environment. As a result, there has been growing interest in ensuring that the framework of organisations and responsibilities represented by the agencies are fit for purpose. The agency landscape developed organically over many years, and there was a need to ensure that it fully meets the needs of institutions in a dynamic and increasingly diverse higher education sector.

It was in this context that the review of UK higher education sector agencies was established. This report sets out the findings of the review group, chaired by Sir David Bell, which was asked to consider the effectiveness of the relationships and responsibilities that are currently in place.

While the stimulus for the review was unarguably a concern over subscription levels, the review group sought to take a holistic approach to the task. This has, therefore, primarily been a strategic exercise in understanding the future service needs of universities and other higher education providers, and how the landscape needs to adapt to meet these. It has also been focused on the most effective way for meeting these evolving needs. In particular, issues around coordination, responsiveness, reducing duplication and enhancing value for money emerged as the key concerns of institutional leaders and other stakeholders. Rather than simply identifying issues specific to each individual agency that might be addressed, the review group has identified common themes, and articulates a comprehensive framework of recommendations that will ensure that the sector agency landscape meets the needs of its owners, customers and other parties into the future, and that agencies are effective and sustainable organisations.

This report does not seek to provide a comprehensive narrative account of the discussions and deliberations that have underpinned the work of the review group. Moreover, it seeks to provide a concise overview of the landscape as it appeared to the review group, the issues confronting agencies and their leaders, and the concerns emerging from sector leaders. Part 1 of the report summarises the background to the review and presents an overview of some of the major trends and developments in higher education policy that have impacted on both universities and sector agencies. The dynamic policy context since 2010, funding pressures across the system, and divergence in policy terms between the constituent nations of the UK are the most obvious features of this environment that have affected all organisations in the sector.
Part 2 discusses the role and status of agencies within the landscape, and begins by asking the question: what is a sector agency? It notes the diversity of bodies that provide services to institutions, and sets out the rationale underpinning the focus on the 10 ‘core’ agencies subject to the review. The diversity of agencies in terms of size, strategic focus and operations stands out as their defining characteristic; they are far from a homogenous group. This section also highlights aspects of the significant contribution agencies have made to UK higher education.

In Part 3, the findings of the review group are introduced. Here, the challenges facing sector agencies are described, as are the emerging concerns of higher education leaders and other stakeholders. A suggested taxonomy of core services and functions that are required by universities is presented, which it is hoped will stimulate debate and discussion in the sector.

Finally, in Part 4, the framework of recommendations is set out in detail. It is the view of the review group that these recommendations set out the contours of a new settlement between sector agencies and the sector. These recommendations also highlight the important role that should be played by UUK and GuildHE, as both representative bodies of the core customers of most agency services and the sole or joint owners of most agencies. The review group foresees an enhanced governance and oversight role by UUK and GuildHE, which in collaboration with agency leaders will take a more holistic view of the landscape to better coordinate activity in the sector. A small number of areas are identified which all agencies – indeed, all bodies taking subscriptions from higher education institutions – should seek to address. The focus here is on dialogue, engagement, responsiveness and evidencing value for money.

The review group also recommends changes to the structure of the sector agency landscape that would see the number of core agencies taking subscriptions from institutions (particularly in England) reduced from nine to six – noting that UCAS already has no subscription – over the next two years.

Most significantly, a new body is proposed that will bring together the functions of the ECU, the HEA and the LFHE. This proposed merger will lead to the creation of a new, streamlined body providing developmental services in areas of strategic importance around equality and diversity, leadership development, and teaching and learning. The extensive overlap in activities of the three existing agencies, combined with the changing needs of the sector, suggest that there is a significant opportunity to realise benefits from a more joined-up service to institutions. As well as providing a joined-up approach to supporting the sector in meeting some of its biggest challenges, this new body would also enable significantly reduced aggregate subscription and a more commercially orientated business model.

Also, as a largely commercial organisation already generating around 95% of its income from commercial activity, HECSU would move towards a zero-subscription model.
Finally, wider areas are identified for consideration, such as the need for continued central funding for the Janet network, and continued co-ownership of key sector resources such as the UK Professional Standards Framework and the Quality Code.

In aggregate, these recommendations have the potential to deliver a new settlement that will help ensure that the sector agencies – which have played such an important role in helping institutions deliver the world-class higher education for which the UK is widely recognised – continue to succeed well into the future.

1. BACKGROUND TO THE REVIEW OF UK HIGHER EDUCATION SECTOR AGENCIES

SECTOR AGENCIES AND THE UK HIGHER EDUCATION POLICY ENVIRONMENT

The UK higher education sector has undergone a period of profound change in recent years, the pace of which continues unabated. Since 2010, two higher education white papers (focused on England) have had implications for the whole of the UK. These helped to set in motion a move towards a more market-orientated and competitive sector – particularly with regards to teaching provision – and fundamentally altered the relationship between students and institutions. While graduate contributions may not (as yet) have been implemented in all parts of the UK, the implications of this shift have been felt across the whole of the sector. The current Higher Education and Research Bill before Parliament will fundamentally change the regulatory regime in place in England, and prefigures wider developments (such as the Teaching Excellence Framework) that will, again, have implications for all parts of the UK.

Added to the changing nature of UK higher education, the financial uncertainty that has been prevalent since 2008 has had a profound impact on all organisations in receipt of public funding or subsidy. This has created an uncertain and dynamic environment in which all parties are being induced to take a more overtly commercial approach to support longer term sustainability and resilience. While the vote to leave the European Union occurred after the present review was established, this only serves to add to the sense that the operating environment for higher education institutions is, and continues to be, extremely challenging.

Hence there has been a period of significant policy change, and divergence between the policy, funding and regulatory regimes in place across the nations of the UK; yet a shared sense of identity, of an understanding of higher education in the UK as a truly UK-wide endeavour, and a set of common themes (such as financial uncertainty and increased competition) provide shared challenges. The operating environment for higher education
providers and, importantly, those organisations looking to support them, is therefore extremely complex.

Indeed, all actors in the system have been affected by these changes, and this applies as much to sector agencies as it does universities and other higher education providers. Agencies themselves have generally been established to provide a collaborative response to specific operational, strategic or regulatory challenges particular to a specific time and policy context. The framework of sector agencies that has, to date, played an important role in supporting the world-class higher education sector for which the UK is rightly renowned has evolved organically over many years. Indeed, most agencies emerged around the time of significant legislative change in the sector that required new functions and services to be delivered. For example, Jisc, the Universities and Colleges Employers Association (UCEA), HESA and the QAA in its current form trace their roots back to the early 1990s, as does UCAS (albeit with antecedents in 1961). Similarly, the Office of the Independent Adjudicator for Higher Education (OIAHE), HEA, ECU and LFHE were founded in the early 2000s. As such, most agencies appear in their present form at key times of legislative reform. (HECSU was founded in 1972.) While this responsive, organic development has been a source of great strength, it also brings with it a certain level of risk. As the environment changes, the patchwork of supporting agencies may not have the balance of services and capabilities that are needed to support institutions and other stakeholders into the future.

Given that agencies have, as a rule, been established, reformed and refocused as the needs of the sector have dictated (for example, the HEA emerging from a merger of three bodies in 2004), and major legislative and regulatory changes have usually been the spur to review and reconfigure this landscape, it is timely and appropriate to consider whether the current organisation of sector agencies is, indeed, fit for purpose. Indeed, it is arguable that such a review is overdue, given the substantial changes in the higher education policy and funding environment that have taken place since 2011.

Allied to this need to ensure that agencies can meet the future needs of the sector, the immediate stimulus for the present review was a concern over the rising costs (to institutions) of supporting the agency landscape and – importantly – the processes through which these costs were being transferred to the sector. As central funding has been removed (particularly in England) or significantly reduced for a number of agencies, these costs have had to be met from elsewhere. This has meant a shift towards subscription-based business models for a number of agencies, a process that has understandably been extremely difficult for all parties.

The challenges faced by agencies in addressing such funding uncertainties should not be forgotten, but neither can the need for a more fundamental consideration of the nature, scope and purpose of agencies.
THE REVIEW OF UK HIGHER EDUCATION SECTOR AGENCIES

In February 2016, following concerns over proposed changes to subscriptions to the HEA, the board of Universities UK called for a holistic and comprehensive review of the sector agency landscape. Chaired by Sir David Bell, the review group was tasked with exploring a number of important and inter-related issues.

The terms of reference for the review group called for consideration of:

- drivers for reform, including the shifting policy context (for example, the proposals in the higher education green paper) and institutional operating environment, and future demand for services across the sector (including future delivery of any statutory requirements)
- how the current landscape of sector agencies needs to adapt to meet these future requirements, including advising on the most efficient and effective mechanisms and infrastructure to deliver high-quality services for the sector
- how approaches to delivering sector services can meet increasingly diverse needs, including options for ‘unbundling’ and innovative delivery
- the most effective approaches to governance of sector bodies to ensure maximum accountability and transparency, and the role that should be played by sector representative bodies (notably Universities UK and GuildHE), universities, students and other stakeholders, such as employers
- options for achieving operational efficiency and demonstrating value for money
- how any new sector agency landscape will operate within a UK context, recognising the importance of maintaining a common UK framework, albeit with variable elements within it

Importantly, the review group was directed to consider the effectiveness of the landscape as a whole, focusing on the inter-relationship between agencies, institutions and representative bodies (as sole or joint owners of most agencies). The clear steer was that the group should avoid a ‘piecemeal’ approach that considered only incremental changes to specific issues. While identifying issues to be addressed on an agency-by-agency basis might form part of the review, the overarching priority was to take the landscape as a whole as the starting point.

Initially, the review was focused on nine agencies; however, following wider consultation and dialogue, the purview was extended to include UCAS. The set of agencies considered through this review are:

- Equality Challenge Unit (ECU)
- Higher Education Academy (HEA)
- Higher Education Careers Services Unit (HECSU)
- Higher Education Statistics Agency (HESA)
- Jisc
- Leadership Foundation for Higher Education (LFHE)
Office for the Independent Adjudicator for Higher Education (OIAHE)
Quality Assurance Agency (QAA)
Universities and Colleges Admissions Service (UCAS)
Universities and Colleges Employers Association (UCEA)

A discussion of the roles and functions of sector agencies is found in Part 2.

These 10 organisations were specifically chosen as they represent what are considered to be the core set of sector-owned agencies that provide a combination of statutory, strategic and developmental functions for higher education providers and other related stakeholders. In addition, UUK and GuildHE are sole or joint owners of each agency (with the exception of UCAS; see pages 20–21).

Over the course of the review, the group has undertaken an extensive programme of engagement with stakeholders. The review group met five times between March and November 2016, and the emerging findings were considered at board level on a number of occasions by both UUK and GuildHE. Opportunities were also provided for UUK members to discuss the review at a number of Members’ Meetings over 2016.

During the initial scoping phase, the UUK review team undertook desk-based research on each of the sector agencies and invited confidential submissions from the agencies using a template developed by the review team. This helped to build up the evidence-base and orientate the work of the review group. In addition to gathering evidence from the agencies, it was also important that the views of other stakeholders across the sector were sought. The review team undertook extensive engagement, including a survey of UUK members to understand their views on the landscape and what they wanted from it. Meetings and discussions have also been held with a number of important stakeholders, including:

- national funding councils (Higher Education Funding Council for England, Higher Education Funding Council for Wales, Scottish Funding Council)
- government departments and representatives (Department for Business, Energy and Industrial Strategy; Department for Education)
- professional bodies, such as the Higher Education Strategic Planners Association (HESPA), Association of Heads of University Administration (AHUA), Universities Human Resources (UHR), British Universities Finance Directors Group (BUFDG), and the Committee of University Chairs (CUC)
- representative bodies, including University Alliance, MillionPlus, the Russell Group and the Association of Colleges
- Universities Wales and Universities Scotland, including discussion of the review at each of their boards

Of course, the main focus of engagement activities has been with agency leaders. Throughout the review, the team has engaged extensively with the chief executives and chairs of agency
boards. In spite of the understandable sensitivities surrounding the review, sector agency leaders have engaged in an open and constructive manner throughout. Their support and expertise have been invaluable in undertaking this review. Opportunities for consultation and engagement included two workshops with the review team to explore initial findings and draft proposals (June and August 2016); invitations to submit additional evidence and proposals at two additional time points (August and October); and one-to-one meetings throughout. This input shaped draft proposals that were considered by the UUK and GuildHE boards to a significant degree. Following a final round of consultation with sector agencies, a final set of proposals was subsequently fully endorsed by the UUK and GuildHE boards.

* * *

Extensive engagement has therefore been carried out throughout the review. The proposals set out on pages 6–8 and in more detail in Part 4 (pages 32–41) have been iteratively developed in collaboration with sector agencies and their representatives; however, the review group takes full ownership of the recommendations presented herein.

In Part 2, a more in-depth discussion of the role and status of agencies within the landscape is provided, and begins by asking the question: what is a sector agency?

## 2. THE ROLES AND FUNCTIONS OF SECTOR AGENCIES IN THE UK HIGHER EDUCATION OPERATING ENVIRONMENT

### WHAT IS A SECTOR AGENCY?

There is no singular definition of what constitutes a sector agency, and the organisations that are considered to be sector agencies represent an extremely diverse group. They have very different strategic interests, operational practices and forms of governance. At the outset of the review process, many comments were made over the inclusion or exclusion of certain bodies, and some called for the review to focus on *all* subscription-based bodies that service higher education institutions; others suggested a more tightly focused review that only considered a sub-set of the core agencies identified in Part 1. Overall, the parameters set out in the initial terms of reference were deemed to be appropriate (subject to the later inclusion of UCAS). These 10 bodies are traditionally considered to be ‘core’ agencies, and UUK and GuildHE have some form of ownership and/or governance relationship with each.

It is worth briefly considering the diversity of these 10 agencies. In terms of income alone, they range from £2m to £130m (see Figure 1). The membership of agencies is also diverse, ranging from only universities, to all higher education providers, to serving colleges and other communities. Some agencies serve different communities in different nations of the
UK. Overall, the agencies consist of a range of different types of functions, from formal, statutory and regulatory functions to more developmental services (more of which below). As Figure 1 highlights, it is not only the income that varies, but also the source of funding – the relative importance of subscriptions ranges from 0% (UCAS) to virtually 100% (OIAHE).

Overall, universities make up the majority of the subscriber base of each of the sector agencies (in terms of subscriber income, if not overall numbers) and this is generally the same in terms of user groups. However, there are some exceptions to this; for example, UCAS and HECSU/Graduate Prospects serve the needs of prospective and current students and graduates, while the core functions of Jisc serve a range of users. As an agency with a mixture of functions, HESA has a range of statutory customers beyond universities (though institutions remain its primary users and funders).
Figure 1: Funding and governance of sector agencies
UCAS

APPOINTMENTS TO BOARD
- UCAS NOMINATIONS COMMITTEE: 12

INCOME SOURCES 2014–15
- Provider fees: 26.2%
- Application fees: 33.6%
- Other: 1.0%
- UCAS fees: 39.2%

UNIVERSITIES AND COLLEGES EMPLOYERS ASSOCIATION

APPOINTMENTS TO BOARD
- Universities UK: 8
- Universities Scotland: 2
- CUC: 6
- GuildHE: 2
- GuildHE Observer: 1
- UUK Observer: 1

SUBSCRIBERS 2014–15
- Total subscribers: 167

INCOME SOURCES 2014–15
- Descriptions: 95.7%
- Other: 4.3%
However, while all very different, there are generic attributes that can be applied to these 10 organisations. They help to provide assurance and accountability to a range of stakeholders; they support institutions to work more effectively; and/or they help to provide a coordinated response to a defined strategic challenge. Functions and services have traditionally been discharged by sector agencies on behalf of higher education institutions and other stakeholders (such as government) because they offer an effective way of addressing specific challenges. A collective approach is seen as beneficial for higher education institutions where:

- they can leverage their combined power through a third party
- impartiality and consistency across the sector are required
- economies of scale can be made and duplication of effort reduced
- risk to universities and other stakeholders is reduced
- sector-wide participation is to everyone’s benefit

This is an important point to note: agencies have been established as the most effective mechanism for addressing specific issues – be they operational, strategic or regulatory – and must continue to have the support and confidence of a range of parties (institutional leaders, representative bodies and agency owners, among others) if they are to continue making a positive contribution to UK higher education.

**OWNERSHIP AND GOVERNANCE OF SECTOR AGENCIES**

Symptomatic of this complexity – and a marker of the different political and strategic imperatives that have underpinned the creation of individual agencies – is the ownership relationship between UUK and GuildHE, and the agencies themselves. While both UUK and GuildHE have some form of direct and formal owner relationship with each agency (other than UCAS), the nature of this relationship is subtly different across the landscape.

For example, in terms of ownership, UUK and GuildHE are:

- the sole members and owners of ECU, HEA, HECSU, HESA and LFHE
- along with Universities Scotland and Universities Wales, members and owners of the QAA
- along with Universities Scotland and the CUC, members and owners of UCEA
- two of the three ‘representative members’ of Jisc (along with the Association of Colleges) that collectively hold 90% of voting rights, with the remaining 10% reserved for institutional members
- two of the five members and owners of the OIAHE, along with the CUC, AHUA, National Unions of Students (NUS) and Universities Wales

Only UCAS has a substantively different legal membership model, with its constituent legal members being higher education institutions and education providers that meet defined
criteria. UUK, in consultation with GuildHE, is responsible for nominating the Chair of the UCAS Board from amongst existing directors who are the head of a higher education institution.

In terms of governance, details of the UUK and GuildHE representation at board level of the agencies is provided in Figure 1.

**ROLES AND FUNCTIONS OF AGENCIES**

Each agency was established to address a defined challenge or set of challenges, which are set out in the articles of association and articulated through the individual strategic plans. However, when considering the functions and service offered by agencies, it is possible to categorise these under a number of thematic headings. Broadly speaking, the functions and services provided by agencies fall into one of three categories: statutory, core and developmental.

**Statutory functions** are those to which higher education providers must adhere as part of the regulatory regime underpinning UK higher education. However, this creates a responsibility on behalf of agencies fulfilling these functions to ensure that the statutory requirements are clearly understood and any additional roles and services are clearly articulated. There is also a need to ensure that operational efficiency is optimal, given that there is no choice over whether or not institutions use or engage with a statutory function.

**Core functions and services** are those for which there is broad consensus that they are required for the effective operation of institutions. Core services must be very clearly defined and responsive to the needs of their key user communities. There is a strong rationale for core services and functions being delivered by collaborative sector agencies with close links to the higher education community, and for stable funding models that enable planning and investment. In return, agencies are expected to be transparent and to demonstrate their user focus and value for money.

**Developmental functions and services** are those that institutions may wish to use for strategic reasons, for example to enhance institutional effectiveness or support organisational change. However, there will often be an overlap with commercial providers, and differential requirements across the higher education sector. Such functions often operate in a very competitive space, and might be fulfilled through responsive, market-orientated solutions. However, there is also a desire for the sector to be able to articulate its developmental needs and to co-develop solutions, hence the continued justification for a sector agency approach.

It should be noted that a single agency may deliver a range of functions that may include elements of different forms of functions and services. Specific agencies do not, therefore, necessarily fit into discrete categories. While, for example, the OIAHE is clearly a statutory
body with a clearly defined remit (as the ombudsman for student complaints), HESA provides data services to institutions that have both a regulatory function and others that are considered a core service that help institutions manage their organisations more effectively (through, for example, the Higher Education Information Database for Institutions (heidi)). As such, it is important that institutions understand the scope of statutory functions and relative balance between, for example, core and developmental services – and that this balance is reflected in what the core subscription covers.

* * *

As this brief discussion makes clear, agencies are a diverse group of organisations, sharing a common goal of serving the needs of the higher education sector – be that the needs of institutions, or the needs of other stakeholders such as government and students. Part 3 provides an overview of the findings of the review group, setting out examples of where the sector agencies have had a considerable positive impact on UK higher education, before considering the challenges that they have been facing. This section then discusses the issues and concerns that were raised over the course of the review, and identifies a number of important areas for all stakeholders in the sector agency landscape to consider.

### 3. REFLECTIONS ON THE SECTOR AGENCY LANDSCAPE

#### CONTRIBUTION OF SECTOR AGENCIES TO UK HIGHER EDUCATION

As noted above, sector agencies have played an important part in the success of the UK higher education sector. They have each been key partners in the system, supporting institutions to deliver world-class teaching, learning and research, and providing the support and underlying infrastructure that have helped the sector to succeed on both a national and global scale. Where necessary, they have also provided a challenge function, often acting as critical friends to institutions. Before considering the challenges facing agencies, it is worth considering some of the ways in which they have made an invaluable contribution to the higher education landscape.

For example, the admissions service provided by UCAS is very highly regarded, an exemplar of a collaborative approach to a shared need that provides huge benefits to potential students and higher education institutions alike. Handling over half a million undergraduate applications a year and providing advice and guidance to potential students, UCAS is an agency that is recognised across the UK, well beyond higher education institutions. As a complementary service supporting the student journey, the functions provided by HECSU (such as the National Postgraduate Service and the Graduate Prospects website, which is used by 2 million students) also add significant value to higher education institutions. The Higher Education Degree Data check (again delivered by HECSU) provides a service for higher education candidate verification and university authentication. Both UCAS and
HECSU operate on commercial, service-based models that minimise or do away completely with the need for subscriptions.

Data lies at the heart of much of what universities deliver, and is increasingly the preferred mechanism for providing assurance and underpinning accountability to a range of stakeholders. In providing a single, trusted authority for higher education data, and acting as the recognised data provider by government bodies, the role and function of HESA is very highly valued by institutions and government stakeholders alike. In recent years, the move towards a more customer-orientated approach has also been welcomed. As the sector looks to the future, the Data Futures project provides a significant focus point for further enhancing the quality and capability of the higher education data landscape.

The infrastructure that Jisc procures and maintains on behalf of the sector, namely the Janet network, ensures that UK higher education institutions have access to world-class connectivity, and that capacity is continuously updated to meet demand. Alongside the role played in negotiating collaborative deals with academic publishers and other service providers (such as the collaborative deal relating to the ORCID identifier), there are also several important innovations that have been implemented by Jisc. These provide benefits across the sector, and for which there is often little recognition – for example, the Shibboleth authentication service used by hundreds of thousands of staff and students.

Organisations that provide developmental support in strategic areas such as teaching and learning, equality and diversity and leadership development operate in very competitive parts of the landscape. The impact of the LFHE on raising the status and quality of leadership development provision across the sector is clear, evidence of which is the more integrated and embedded approach that is now taken by higher education institutions, while similar can be said for both the HEA and ECU. The key strategic challenges for which these agencies have long been the standard-bearers across the sector have helped ensure that institutions are able to embed best practice and services within their institutional offer. In particular, frameworks and charters such as the UK Professional Standards Framework and Athena-SWAN have helped to provide a common coordinated and strategic approach to change in universities and across the sector as a whole that have supported enhancement in areas subject to significant public interest.

In terms of the quality and regulation landscape, there is widespread recognition of the significant role that the QAA has long played in the sector, and the importance of co-ownership of the quality regime. The services provided to institutions and other stakeholders in all nations of the UK are sensitive to the needs of the different quality regimes that exist. There is also recognition of the significant challenges that have faced the QAA in recent years, and the efforts that have been made to reform the agency and ensure that it is in a resilient position, ready to meet the future needs of the sector, have been welcomed. Finally, the need for the ombudsman for student complaints to be established on a statutory basis and to be demonstrably independent of universities and government is necessary if all
stakeholders are to have confidence in the system, and as such the role of the OIAHE is of vital importance.

Finally, the dedicated employer representative, as found in UCEA, is very highly regarded across the sector, both for the role played in undertaking collective bargaining on behalf of members and the more strategic role played in supporting institutions to understand and respond to policy developments that affect their responsibilities as employers. The service offered by UCEA is of fundamental importance to members; while there are pressures throughout the system towards greater competition between institutions, the ability to collaborate in areas of core, strategic importance continues to be of the utmost importance.

As this brief survey highlights, all agencies have played (and continue to play) a crucial role in the higher education landscape. The question facing the review group is how to ensure that the current framework continues to meet the needs of the sector in future.

CHALLENGES FACED BY SECTOR AGENCIES AND THEIR RESPONSES

As set out in Parts 1 and 2, sector agencies have in recent years been subject to the same pressures faced by universities and other higher education providers. These pressures have in some cases included the complete removal of central funding from some national funders (such as the experience of the ECU and HEA after the withdrawal of Hefce funding), necessitating the development of new business models and major organisational restructuring. However, it is not only those agencies that have lost all funding that have experienced difficult times. In recent years, the dynamic policy landscape has made developing a coherent set of service offers to increasingly diverse institutions across differing national contexts a complex endeavour.

Overall, agencies identified five inter-related challenges that will be familiar to university leaders and other sector stakeholders. These were as follows.

Funding challenges

The funding environment has been difficult for most sector agencies, but not always for the same reasons. One agency leader argued that the ‘government attitude to funding of sector services has... changed...and shows no signs of returning’. The funding challenge has been acute for many in the sector, with ‘significant refocusing and restructuring’ the consequence.

Devolution and policy divergence

The divergent policy and funding environments found across the four nations of the UK have created significant pressures on agencies as well as the sector as a whole. The UK-wide nature of higher education, and the common framework provided by the sector agencies, are seen as a great strength for the sector, but increasingly one of its most profound challenges. There is a need to maintain a UK-wide system against a background of increasing policy
fragmentation, and this fragmentation poses real challenges for maintaining a common infrastructure.

**Policy and regulatory uncertainty**

The policy uncertainty that has characterised the higher education landscape across the UK and within national systems is indelibly linked to the funding challenges noted above. For bodies with some statutory responsibilities, a previous lack of legislation and implementation of policy objectives since 2010 had made forward planning difficult, and was reported to inhibit strategic and long-term thinking. Whilst this has changed with the 2016 white paper and Higher Education and Research Bill, the shift in the mode of regulation in England from funding-driven to data- and compliance-driven also raises questions over the levers that might be used by government to shape behaviour in the sector. This has consequences for the roles that some agencies might be asked to play.

**Increased competition and a more market-orientated HE environment**

While the move to a more competitive, market-orientated system of higher education is more explicit in England, the consequences of this shift are being felt across the UK. Increased demands from students and the drive from government for a more student-centred approach to higher education create new pressures within institutions, and new demands from universities to those agencies providing services (or a greater demand for existing services).

**Changing nature of the higher education sector and sector agency memberships**

The expansion of the higher education sector and the government intention (in England at least) to create a more vibrant market of alternative providers, have created additional challenges for many agencies, as well as opportunities. Extending the remit of agencies to include new types of higher education provider puts ‘pressure on systems, operations and funding’. The need to diversify income has also led some agencies to look for alternative sources of business. The fragmentation and increasing diversity within the higher education sector, and the drive toward more customer-orientated strategies, had made a more flexible approach necessary.

**Addressing the challenges**

In order to address these challenges, agency leaders have implemented a number of reforms in an effort to adapt. All agencies had undertaken some form of strategic, operational or governance review since 2010. For example, Jisc has undergone a very significant period of structural change to adapt to the new funding and operational environment, while the HEA and QAA have undergone a fundamental reforms and restructuring in the light of funding and policy changes over which they had little or no control.

Cost- and efficiency savings have also been central to organisational approaches. At some agencies, subscription rises over recent years have been minimal, such as at UCEA. While the
cost to institutions has increased for some services (such as those provided by the ECU and HEA, as a result of the move to a subscription-based model), this has masked significant efforts to reduce the overall cost base at some agencies. Similarly, the development of shared services, for example the M5 Group of agencies that was announced in March 2016, is a sign that new approaches are being actively employed to reduce costs and focus on core activities. Finally, several agencies have made significant efforts to diversify income by working with new communities or by undertaking international work, which, it is argued, can help to reduce costs to UK institutions (by providing additional income) and promote the ‘brand’ of UK higher education. However, such responses have not been without difficulty. The review group found that there was, at times, a lack of strategic thinking or sector engagement in relation to cuts to services or diversification. Many in the sector have noted that diversifying income streams may also be responsible for shifting the focus of agencies away from what was their core, founding rationale.

**CORE FUNCTIONS AND SERVICES**

Over the course of the review, an attempt was made to identify the functions and services that are considered to be ‘core’ by a range of stakeholders. Note that the review did not interrogate whether a particular agency was deemed ‘core’ – the focus here was on the functions and services that institutional leaders believe they need in order to operate effectively in the current and future environment.

The taxonomy shown in Table 1 emerged.

**Table 1: Taxonomy of sector agency functions and services**

<table>
<thead>
<tr>
<th>Core functions and services</th>
<th>Developmental functions and services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate admissions service</td>
<td>Advice, guidance and support on equality and diversity issues</td>
</tr>
<tr>
<td>Student and admissions data</td>
<td>Support for improving teaching and learning</td>
</tr>
<tr>
<td>Shared IT infrastructure/network</td>
<td>Leadership development</td>
</tr>
<tr>
<td>Regulation and funding</td>
<td>ICT support and services</td>
</tr>
<tr>
<td>Quality and academic standards</td>
<td>Careers advice and guidance</td>
</tr>
<tr>
<td>Independent ombudsman service for student complaints</td>
<td></td>
</tr>
<tr>
<td>Collective pay bargaining and pensions</td>
<td></td>
</tr>
<tr>
<td>Collection and provision of higher education data</td>
<td></td>
</tr>
</tbody>
</table>
Overall, those termed ‘developmental’ in the typology set out above represent areas that are subject to a high degree of choice and competition and are generally more subject to commercial pressures than those identified as ‘core’; and that those defined as ‘core’ benefit from a single coordinated and collaborative service offer. It is not suggested that this taxonomy is definitive or final; however, it should act as a starting point for debates across the sector over what services and functions are, indeed, core to the effective operation of universities and other higher education providers.

**ISSUES RELATING TO THE EFFECTIVE FUNCTIONING OF THE SECTOR AGENCY LANDSCAPE**

In general, the work of the review group suggested that there was much to commend in the current sector agency landscape. It has broadly met the needs of universities and other higher education providers, and made a valuable contribution to the success of the sector. However, while the difficulties faced by agencies are clear, present arrangements needs to adapt if the landscape is to continue meeting the evolving demands of a diverse sector. As such, a number of concerns emerged over the course of the review that significantly informed the development of the review group’s thinking on the parameters for the eventual framework of recommendations (see pages 32–33). Some of these have been touched on already in Parts 1 and 2 (see pages 11–15 and pages 15–22) – notably concerns over the rising costs of supporting the agency landscape, the processes through which these costs were being transferred to the sector and concerns over duplication. However, other concerns were more nuanced. These issues are discussed in more detail below.

Stakeholders consulted as part of the review suggested that the overall costs of the system were rising and being transferred directly to institutions. The concern focused on the fact that institutions were bearing the brunt of policy and funding changes at the sector level, and that – in their experience – the approach of agencies had not sufficiently adapted to the new funding relationship. It was also argued that there is increasingly a lack of clarity over the roles and responsibilities of sector agencies, and that greater oversight and coordination of agency activities – and of the landscape in general – are needed to help avoid ‘mission-drift and duplication. This would also help to ensure that the interests of university leaders are adequately taken into account by agencies, and provide a much-needed necessary clarity of purpose.

The main issues raised over the course of the review are summarised below.

- **Cost and value:** Costs of the system are rising and being transferred directly to institutions, while the relationship between stakeholders remains relatively unchanged and does not reflect the new funding relationship. There is a need to both deliver and demonstrate value for money to stakeholders, and to ensure that there is a better understanding of the totality of the costs of sector agencies to universities.
• **Clarity and coherence:** A lack of clarity over the roles and responsibilities of sector agencies, particularly in the new operating environment, has been unhelpful and has led to some confusion. Policy uncertainty across the landscape and divergence between the nations of the UK have not been conducive to maintaining a coherent and effective agency landscape.

• **Oversight and engagement:** Oversight and coordination of, and engagement with, agencies and agency activities have not been optimal. It is evident that existing governance arrangements, as currently implemented, have not been able to avoid a disconnect emerging between agencies and the university community.

• **Mission-creep:** There are concerns that agencies may be extending their remit by degrees. In particular, there was a common perception that some agencies may have sought to co-opt regulatory or quasi-regulatory roles. This was seen as inappropriate, unless there is a clearly articulated and well-defined case for doing so that has the full backing of the sector.

• **Overlap and duplication:** There have been significant concerns raised that a several agencies are providing services and functions that clearly overlap with the remit of other agencies. While competition may be beneficial in parts of the landscape, where universities are paying subscriptions for services that are duplicated across agencies, this leads to unnecessary additional costs.

• **Choice and optionality:** Optionality and flexibility are required, with core and essential functions disaggregated from other services that may add value, but may not be required by all institutions; subscriptions should cover core services and functions, with additional products available on a paid-for basis.

• **Missed opportunities:** Opportunities for collaboration that would best service the university and wider sector interest are not being adequately exploited, with unnecessary and unhelpful competition and what was termed a 'lack of mutual respect' between some agencies.

In aggregate, it was argued that there is a lack of cohesion and coordination across the landscape. In a more competitive environment, this was leading to approaches and business practices that were delivering sub-optimal outcomes for the sector, in particular that:

There is a perception of duplication between some agencies and a loss of collegiality.

• It has been argued that the strategic focus of some agencies may have been diluted, given the need to diversify funding and income streams, and that this was also a reason for a perceived loss of collegiality and cooperation.

• There were concerns that national funding councils were sometimes acting in an opaque manner with regards to funding certain activities, which caused conflict between agencies.
• Some personal relationships at senior levels were found to be difficult, leading to a lack of constructive engagement.

• Duplication is seen to be evident among those agencies working in the more developmental spaces, which is possibly to be expected given the more commercially-orientated nature of such services.

While competition and duplication may be justifiable as part of a healthy market environment, this can surely only apply where services are all being offered on a paid-for basis, not as part of subscriptions. Importantly, it is worth noting that this summary of issues arising in relation to the landscape reflects not only the views of UUK and GuildHE members, or other stakeholders consulted as part of the review – it also reflects the views expressed by sector agency leaders themselves. In particular, there were many instances where agency leaders noted perceived mission-drift among their colleagues, and an unhelpful level of duplication.

WIDER ISSUES FOR CONSIDERATION
As part of the review process, several issues were flagged with the review group that are worthy of consideration, and which we would urge agencies and other stakeholders (such as funders and government) to give serious consideration to in the future. Five main areas were identified. The review group would emphasise the need for:

• continued public investment in core infrastructure, such as the Janet network
• co-ownership of, and reasonable access to, sector-developed frameworks
• clarity over data collection requests and progress on fair access to sector-generated data
• an ongoing focus to ensure that agency services reflect the diverse needs of all institutions across the nations of the UK
• sector agencies and other bodies that are taking subscriptions from institutions – especially those delivering statutory functions – to ensure that costs, efficiency and value for money are priority issues

Continued public investment in core infrastructure
Connectivity has been identified as a core function delivered by sector agencies. The Janet network is highly regarded both in the sector and indeed by other nations; it is an essential part of the national higher education infrastructure, and provides huge benefits for students, researchers and institutions and, through these communities, the UK economy as a whole. As demand increases at an exponential rate, there is a need to continuously upgrade the capability and capacity of the Janet infrastructure. This requires stable, long-term investment. The review group would urge national funders and research funding councils to continue supporting this vital national infrastructure, and for all stakeholders (including representative bodies such as UUK and GuildHE) to continue to make the case for this investment.
The government is expected to invite views on the proposed industrial strategy and, specifically, the infrastructure that is required to ensure that the UK can become even more competitive on the global scale. The Janet network should be considered as a critical piece of enabling infrastructure. It underpins and supports the UK’s success as a world leader in higher education, and the case for ongoing public investment should be made in the most robust terms.

**Co-ownership of, and reasonable access to, sector-developed frameworks**

There are several resources and frameworks that have been co-developed by the higher education sector and relevant user communities, and that are held in trust by agencies. While agencies play an important role in maintaining these frameworks, there needs to be a sensitive balance between maintaining the integrity and quality of the framework, and ensuring that access is provided to all those that can reasonably benefit.

Where the use of such frameworks is not for profit, all reasonable efforts should be made to ensure that stakeholders are able to draw on these sector-owned resources as required. In particular, the future of the UK Professional Standards Framework, held in trust by the HEA, must be addressed within the new merged body that is proposed in Recommendation 1 (see page 34 for further details). Similarly, it is important that the Quality Code, held in trust and maintained by the QAA, continues to be owned by and for the sector. In the light of its potential designation as the quality assurance body (as per the Higher Education and Research Bill), care must be taken to ensure that such frameworks are freely available to use.

In summary, there should be no unnecessary proprietary ownership rights attached to such frameworks, and we urge that options for open licences for governing their copyright be explored – with appropriate restrictions for commercial use – in order to maintain their integrity.

**Clarity over data collection requests and progress on fair access to sector-generated data**

Institutions are under increasing pressure to provide data to a range of stakeholders, including government, sector agencies and other bodies. This reflects the explosion in data-driven approaches to management, accountability and regulation. This data, generated by institutions, helps provide assurance to a range of stakeholders but also could have significant value for institutions, enabling them to better understand the emerging market in which they operate and their own performance across a range of indicators. The issue of timeliness of data being reported to institutions, and the need to align (or at least coordinate) data requests across the landscape, have been recognised, and the HESA Data Futures project is a welcome development that must deliver on its ambitious objectives.
However, concerns were raised over the ownership of data that is generated by institutions and collected by third parties, including sector agencies. There is a degree of confusion over where certain data collection responsibilities lie and who ultimately owns certain data, while a number of representations called for fairer access to data held by agencies. The proposed strategic delivery partnership (set out in Recommendation 3; see page 36 for further details) may wish to consider how data can be better shared between agencies to reduce reporting burdens, and how access to sector-generated data by institutions can be facilitated. This could both minimise costs and maximise the value that might be leveraged by the sector from this valuable resource.

An ongoing focus to ensure that agency services reflect the diverse needs of institutions across the nations of the UK

The policy frameworks governing higher education across the nations of the UK vary considerably, including the statutory and regulatory requirements set out by the governing administrations. In this context, the needs of institutions are extremely diverse, and the trend towards divergent requirements looks set to continue. While it is a significant challenge for agencies, it is imperative that those operating across the UK continue to offer appropriate services that address the needs of institutions in their specific context. Similarly, as the higher education sector is opened up to challenger institutions (particularly in England), it is important that core services and functions meet the needs of the sector. Given the increased costs of delivering more varied services, it may be necessary for agencies to focus on providing a more responsive yet smaller set of functions as part of their core offer to the sector.

Sector agencies and other bodies that take subscriptions from institutions – especially those delivering statutory functions – to ensure that costs, efficiency and value for money are priority issues

As set out in Part 2 (see page 15), some agencies either wholly or in part deliver statutory and regulatory functions that are of vital importance to universities and a wider community of stakeholders. This includes students, funders, government and the wider public. For example, the OIAHE is the independent body that runs the student complaints scheme in England and Wales, and is a statutory body to which membership is a requirement of all higher education providers in England and Wales. The statutory nature of the OIAHE and its independence from both universities and government are recognised as positive features of the system, and necessary if all parties are to have confidence in the system.

However, it is crucially important that all such bodies – indeed all bodies taking subscriptions from sector agencies, but in particular agencies and others that have, or will have, membership as a mandatory requirement – place consideration of the cost of the service, its efficient delivery, and the value for money for subscribers at the heart of their strategic and operational priorities. Mandatory subscriptions should focus on core functions in the service of an agency’s statutory role. There is also a need to ensure that there is an
appropriate and reasonable balance between stable funding from the sector and a risk-based and proportionate burden on institutions. Agencies should reflect the diversity of the sector in the range of what they offer and in pricing policies that allow institutions to purchase the services they need. In order to meet the needs of a diverse and changing landscape, agencies should minimise cross-subsidies that force institutions to purchase services they do not require or lead to the larger providers subsidising other parts of the sector.

The Higher Education and Research Bill makes provisions for designated bodies in relation to data and quality, and it is crucially important that ownership and governance are retained by the sector. Similarly, the proposed Office for Students (which will replace Hefce in England) must ensure that costs are reasonable to all subscribers and reflect the actual cost of fulfilling their functions, with a focus of appropriate risk-based models.

* * *

Overall, agencies have played an important role in the success of the UK higher education sector. However, the challenges they have faced within a shifting and uncertain landscape have created new pressures, and the needs of universities within that landscape have been changing. Concerns have been raised in a number of important areas, which point the way towards areas where improvements could be made.

In Part 4, the parameters that were developed by the review group to orientate the eventual recommendations are introduced, followed by a discussion of the framework of recommendations that together present the contours of a new settlement between sector agencies and the institutions that they serve.

4. FRAMEWORK OF RECOMMENDATIONS

TOWARDS A ‘NEW SETTLEMENT’: PARAMETERS AND PRIORITIES

In the light of the issues and concerns raised on pages 27–32 (above), the review team identified a number of important priorities that the framework of recommendations should seek to address.

This framework should help to:

- provide clarity over the scope of services required and expectations of owners and subscribing institutions
- set out a template for a more coherent sector agency landscape that meets the future needs of the community
- improve communication and engagement between agencies, owners and subscribing institutions
• enhance the governance and leadership role of UUK and GuildHE as key members of sector agencies
• create more effective links between agencies, the UUK and GuildHE boards and appropriate networks of subscribing institutions
• manage the subscription burden on institutions and incentivise a move towards greater choice and optionality in purchasing services
• deliver value for money and encourage agencies to demonstrate this to owners, representative bodies and subscribing institutions

To address these priorities, the review group articulated a framework of recommendations that focus on three interlinked areas:

• the overall configuration of the sector agency landscape, with a view to reducing the number of agencies drawing subscriptions from institutions while enhancing the overall coherence of the landscape
• changes to governance and oversight that will address the lack of coordination, and ensure that agency activities are clearly focused on delivering services that higher education institutions want
• shared objectives common to all agencies that will help improve operational effectiveness and enable a better relationship between institutions and agencies

Further recommendations identify initial approaches to monitoring progress and implementation. These are discussed in detail below.

A. A NEW FRAMEWORK OF SECTOR AGENCIES

A clear priority for the review group is the need to ensure that the sector agency landscape is organised in a coherent manner, providing the functions and services institutions need while also delivering value for money. It was evident that the current landscape was not considered to be meeting these demands, and that there were opportunities for reform that would deliver a more coordinated and effective system. The recommendations set out below (Recommendations 1–5) make the case for better alignment of similar and complementary functions and, more fundamentally, calls for the number of bodies taking subscriptions to be reduced from nine to six. This will be achieved by bringing together the functions of the ECU, HEA and LFHE into a single body, and by HECSU changing to a zero-subscription model.

A new body to support institutions in key strategic areas

Over the course of the review process, consultation and evidence pointed towards significant overlap and complementarity between the functions and services offered by ECU, HEA and LFHE. The functions delivered by these agencies had, broadly speaking, been identified as being in the ‘developmental’ space (see above, page 26). For example, each has undertaken significant work on equality and diversity, and all have operated to some degree in the learning and teaching space. While there was some evidence of high-quality collaborative
work being done, there were contrary examples of duplication and what was considered to be unnecessary competition. There is, therefore, the potential for delivering an enhanced offer to universities and other higher education providers by bringing these functions together. This would be an opportunity to realise a more strategic and joined-up approach to these functions and to deliver cost and efficiency savings in the long term.

Additionally, as three of the smaller agencies in the landscape, there were concerns that important strategic functions such as the Athena-SWAN charter and the UK Professional Standards Framework may be at risk if the host organisations did not prove to be resilient in the longer term. Indeed, the ECU and HEA have experienced a significant withdrawal of core funding that necessitated the move to a subscription-based model (in England at least), which has led to a significant degree of uncertainty. Given the issues and concerns raised by sector leaders in Part 3 (pages 22–32), and the parameters identified above (page 32 – 33), the review group finds that the interests of the higher education sector would best be served by creating a new merged body that brings together the core functions of the ECU, HEA and LFHE into a single body.

**Recommendation 1:** The core functions of the Equality Challenge Unit (ECU), the Higher Education Academy (HEA) and the Leadership Foundation for Higher Education (LFHE) should be merged into a single body to create a new, more responsive and holistic sector agency. This new body will support institutions to meet strategic challenges as they relate to equality and diversity, learning and teaching, and leadership and governance. It should seek to realise the full potential of bringing these functions together in one single organisation. The timetable for delivering the new body is September 2017, and for a new subscription model to be in place for September 2018.

Opportunities for operational efficiencies, both short- and long term, are reasons for this proposed merger, in particular through cost-sharing, rationalising the service offer to reduce duplication and the economies of scope and scale that should present themselves from the co-location of complementary functions. However, the potential costs of a merger should not be underplayed, and, as such, cost-savings form only a small part of the overall rationale. The primary focus of the proposed merger is to deliver long-term strategic benefits to institutions, which can be realised by bringing together the core activities of these agencies into a single, more tightly focused body. As was argued in Part 1 (page 11), major changes to the regulatory and policy environment in which universities operate (in both the early 1990s and 2000s) have been accompanied by fundamental changes to the organisation of sector agencies. As we enter a new environment, it is timely and appropriate to put in place an agency that can help to meet these new challenges.

In spite of the limited scope for like-for-like efficiency savings in the short term, this is not to say that the aggregate cost to institutions by way of subscriptions should not see a significant reduction. The new body should develop a more commercial, service-based business model
that is less reliant on subscriptions to fund of its activities. This will, of course, be a challenge; however, it is imperative that the core subscription covers a smaller range of core activities and functions. The larger part of the new body’s activity should be funded through paid-for services, and (for example) key resources such as Athena-SWAN should be available on a paid-for basis as part of this new business model. Finally, while the review group is recommending a full merger of the ECU, HEA and LFHE, the proposed transition group is urged to consider retaining the ECU identity as a fully integrated equality and diversity function within the new body. This will ensure that the important focus on equality and diversity issues is retained.

The review group recognises that it will take time to develop this new funding model. While the relevant agencies and UUK and GuildHE are urged to begin work on a transition to the new body immediately (see Recommendation 10, page 41), the new funding model will need to be phased in. In order to provide stability over the transitional process, institutional subscribers and national funding councils are strongly urged to maintain support at current levels for the transitional year, while the ECU, HEA and LFHE should freeze subscriptions at current levels.

**Recommendation 2:** In expectation that the merger proposed in Recommendation 1 is taken forward, the review group notes that there will need to be stability over a transitional period. Affected agencies are urged to freeze all subscription rates and packages. UUK and GuildHE members are urged to maintain their subscriptions over the transition period.

**A new partnership to coordinate data functions and services more effectively**

A number of agencies in the landscape provide what might best be termed innovation and data services. These agencies, nominally HESA, Jisc, UCAS and HECSU, fulfil a range of functions across the spectrum of statutory, core and more developmental functions.

At present, a range of agencies and stakeholders collect data from higher education institutions, and it can represent a significant cost and administrative burden to the data providers. As such, better coordination and alignment of data services and requests have the potential to deliver benefits for all stakeholders. While there were some calls for more fundamental mergers of the agencies involved, the review group is content that there is considerable differentiation, and the roles of agencies should be complementary. As such, the recommendation of the review group is that HESA, Jisc, UCAS and HECSU should come together to form a strategic delivery partnership to improve the efficiency and effectiveness of data-related functions and services.
**Recommendation 3:** HECSU, HESA, Jisc and UCAS should form a strategic delivery partnership with a focus on improving the efficiency and effectiveness of data-related functions and services. The partnership should aim to better coordinate data- and innovation-led activities, with a focus on reducing the administrative burden on institutions and enhancing the overall impact and effectiveness of the system. The HESA Data Futures project may form an important part of the partnership’s future programme of work.

In particular, those functions and services around student data were identified as an opportunity for more effective collaborative and joint working. The agenda for this group should be developed by the leadership of the relevant agencies in consultation with UUK and GuildHE, and the proposed sector agency chairs’ forum (see Recommendation 5, page 37) would provide one mechanism for helping to take this forward. Further to this, the ongoing HESA Data Futures project may form an important part of the partnership’s future programme of work. This project has the potential to deliver significant benefits across the higher education landscape, and all relevant agencies are urged to support the endeavour as necessary.

The review group notes that the first meetings of the delivery partnership have in fact already taken place, and the relevant agencies are commended for taking this forward with such urgency.

**A new model for HECSU**

As one of the longer standing agencies operating in the higher education landscape, HECSU provides a range of services to institutions, to careers advice and guidance communities and to students. However, it also operates in a largely commercial environment and has developed a business model that is no longer reliant on institutional subscriptions – around 95% of HECSU’s income is generated through commercial activities. Given the commercial focus of HECSU and the relatively low level of subscription income, the review group recommends that the HECSU board works towards developing a zero-subscription model over the next two years.

**Recommendation 4:** The HECSU board should move towards a subscription-free funding model over the next two years.

Although there were some arguments in favour of redistributing specific HECSU functions to other agencies, the review group considers that the integrity of HECSU as a unit should be maintained. The case for disaggregation of strategic functions from more commercial activities should not be a priority at this time. In the immediate term, HECSU should collaborate with HESA, Jisc and UCAS as a member of the proposed strategic delivery
partnership for data functions and services (as per Recommendation 3, page 36). In the longer term, there does need to be better alignment of the functions of HECSU and UCAS to avoid unnecessary duplication, and to ensure that data functions and services are efficient, effective and responsive to sector needs.

The nature of this alignment could be delivered in a number of ways, for example through the strategic delivery partnership or through closer and more formal integration between the agencies, up to and including merger. However, it has been broadly agreed that this should be for the relevant boards to determine. The priority for action should be on the development of a sustainable business model that does not require subscriptions.

**Extending the benefits of operational cost-sharing**

**Recommendation 5:** Work to share operational costs is welcomed and should continue. In particular, the development of the M5 Group of sector agencies represents a positive step, and should seek to include all agencies that might reasonably benefit from the services being developed.

The progress that has been made in relation to the M5 cost-sharing group is welcomed by the review group. These efforts should continue to be developed, and consideration should be given to including other agencies that may be able to benefit and add value to the endeavour.

**B. ENHANCING GOVERNANCE, OVERSIGHT AND COORDINATION**

The oversight of individual sector agencies, and more general coordination at the sector level, have been wanting on a number of levels. While UUK and GuildHE have an ownership relationship with agencies and nominate directors to their boards, there is general agreement that this is not, as it stands, delivering an appropriate degree of engagement between parties. Importantly, there has also been a lack of coordination and oversight across and between agencies, in particular concerning duplication of services and the overall cost of subscriptions to institutions. New mechanisms are therefore needed to enhance coordination and oversight of agencies, and to provide better and more active engagement that can help agencies shape their offer.

**A new sector agency chairs’ forum**

While UUK and GuildHE have considerable powers as owners or joint owners of sector agencies – extending to, by special resolution, liquidating the agencies they own – these are blunt instruments in practice. The priority of both UUK and GuildHE is, alongside other owners and the boards of agencies, to ensure that the principles of co-creation and co-development underpin the framework of sector agencies that support the sector. As such, better mechanisms are needed to support high-level coordination of and between sector agencies, and to provide a forum in which issues and concerns can be discussed openly.
There must also be better opportunities to highlight issues for consideration by the UUK and GuildHE boards directly.

To support these objectives, the review group recommends the creation of a high-level sector agency chairs’ forum, which would include senior, board-level representation from both UUK and GuildHE. This group could also play a key role in supporting the implementation of the recommendations of this review, and should report via the nominated representatives to the UUK and GuildHE boards.

**Recommendation 6:** A forum should be established for chairs of sector agencies and senior representation from both UUK and GuildHE should be established. The purpose of this forum will be to enhance accountability to the sector, provide a mechanism for inter-agency communication and dialogue, and to support an effective and coordinated approach to engaging with emerging policy agendas. This forum should also take a collective view of the costs of agencies to higher education institutions, and play a role in coordinating the implementation of the review recommendations.

**Supporting the role of nominated board representatives**

Engagement with agencies is normally managed through nominated representatives to agency boards. UUK and GuildHE have the power to nominate directors to the boards of most agencies, albeit in differing proportions (see Figure 1, page 17–19). In theory, this gives a direct link to the governing bodies. However, the role of a nominee to an agency board is to act in the interests of the agency, not the nominating organisation. Hence while the legal powers of owners are, in specific circumstances, substantial – such as removing directors or winding up the organisation – the responsibility of nominees to the board must be to the agency, although it would be possible to limit the discretion of the board representatives by provisions in the constitutions of those agencies that are wholly owned by UUK and GuildHE. Given that nominees are usually (but not always) UUK and GuildHE members, any suggestion that either organisation would remove directors is highly unlikely, while giving direct instruction would breach the nominee’s legal duties to act in the interests of the agency.

However, nominees do have a duty to be aware of the needs and interests of the community they represent, and officers from UUK and GuildHE should liaise with nominees as required to ensure that they have the support to fulfil their duties in an effective manner.

**Recommendation 7:** There should be an expectation that UUK and GuildHE nominees are aware of relevant policy positions of their nominating organisation. Links with relevant UUK and GuildHE officers should be articulated more clearly.
Facilitating links with networks of senior leaders

Throughout the review process, agencies noted that it had at times been difficult to engage with networks of senior leaders, beyond those directly engaged with the work of the agency through, for example, their boards. One mechanism would be to use established networks already managed by UUK and GuildHE.

**Recommendation 8**: Links should be made between agencies and relevant UUK and GuildHE networks of members. This will be particularly important for the strategic delivery partnership for data functions and services, and would help to provide a responsive forum through which input could be sought on strategic and operational issues.

Agencies or groups of agencies would be supported in accessing these networks to garner input on specific issues, subject to the agreement of network chairs/leaders. Representations could be made via the sector agency chairs’ forum that is identified in Recommendation 6.

Together, these proposals enhance engagement and communication with and between agencies, and sector representative bodies, and help to identify any emerging issues so that they can be properly addressed in a collaborative and constructive manner.

C. SHARED OBJECTIVES TO ENHANCE THE INSTITUTION–AGENCY RELATIONSHIP

Over the course of the review, a number of common areas of concern emerged across stakeholders, and these have been outlined in the previous sections in general terms. While specific issues have been raised regarding individual agencies, the review group considers a more effective and productive approach to instigating change is to develop a shared set of priorities with agency colleagues, rather than focusing on specific and isolated concerns.

As the review process proceeded, it was also clear that many of the issues and concerns being put forward could be grouped under a small number of thematic headings, and that a common set of priorities relevant to all agencies might be developed. These are set out in Recommendation 9.

**Recommendation 9**: All agencies will be asked to consider how they might address a number of broad strategic challenges in the future, and to work with UUK and GuildHE to deliver a more responsive sector agency landscape. As a priority, the agencies should seek to:

- embed more effective engagement and consultation with members within their processes
• deliver more effective inter-agency working, and better coordination of activities between agencies
• offer greater choice and more flexible subscription models, where appropriate
• evidence and demonstrate value for money to members and to the wider sector
• enable and support access to sector-developed assets and resources.

Progress against addressing these priorities should be considered at the sector agency chairs’ forum (Recommendation 6) and a summary of actions should be reported to the UUK and GuildHE boards on an annual basis.

In particular, agency leaders should:

• be vigilant about not adding to institutions’ regulatory or accountability burdens
• seek to reflect the diversity of the sector in the range of what they offer and develop pricing policies that allow institutions to purchase the services they want and avoid unnecessary bundling of services
• seek to minimise cross-subsidies that either force institutions to purchase services they do not require or lead to the larger providers subsidising other parts of the sector
• ensure that core sector frameworks are not subject to unnecessary proprietary ownership rights

While there can be no ‘one-size-fits-all’ model for addressing all of the issues noted above, it seems reasonable to ask the agencies subject to this review to consider how they can address the issues set out in Recommendation 9 and to articulate this to sector stakeholders. Example of good practice were identified across the landscape, and more should be done to share such examples. Again, the sector agency chairs’ forum may be one mechanism to support this sharing of expertise and approaches.

Progress against addressing these priorities should be considered at the sector agency chairs’ forum (Recommendation 6) and a summary of actions should be reported to the UUK and GuildHE boards on an annual basis.

D. IMPLEMENTING THE RECOMMENDATIONS OF THE REVIEW

It will be important to ensure that the framework of recommendations articulated in Part 4 sections A–C (pages 33–40) are implemented in a coordinated and considered fashion. While there is no desire on behalf of the review group to establish overly bureaucratic mechanisms for monitoring implementation, for the most substantial recommendation – the proposal to create a new merged body bringing together the functions of ECU, HEA and LFHE – there will need to be a dedicated mechanism for taking the recommendation forward.
Recommendation 10: A transition group should be established to help coordinate the delivery of the proposed merged body set out in Recommendation 1. This group will agree on the key elements and programme for the delivery of the proposed merged body, including liaison with the relevant governance bodies to secure their support.

The transition group should consist of the chairs and additional nominated board representatives of ECU, HEA and LFHE, plus representation from UUK and GuildHE. A member of the present review group will chair this group.

The role of this group will be to articulate the scope and vision of the new body in collaboration with key sector stakeholders, and to create and implement an action plan to deliver the new body to the timetable suggested in Recommendation 1. This will be the primary delivery body for the new organisation, and will require appropriate support and resourcing from the sector. This transition group should meet as a matter of urgency, with a first meeting in February 2017.

Finally, in order to provide a mechanism for reviewing progress and highlighting any issues arising from these recommendations, the sector agency chairs’ forum will report to the UUK and GuildHE boards at regular intervals. This should be a light-touch report and should not require formal reporting from each agency separately. There is no desire to create a ‘cottage industry’ or reporting around the recommendations of the review.

Recommendation 11: The sector agency chairs’ forum (Recommendation 6) should report to the UUK and GuildHE boards. A summary of actions across the sector agency landscape to implement the recommendations of this review, alongside an analysis of aggregate costs to institutions of subscriptions to sector agencies, should be submitted to the UUK and GuildHE boards on an annual basis.
CONCLUDING REMARKS

This review set out to understand the ways in which sector agencies support universities and other higher education institutions in a complex and changing landscape, and to highlight the challenges faced by all parties in the current operating environment. The review group found much to be proud of in the framework of agencies that have been developed with, by and for the sector – indeed, the constructive engagement of agency leaders over the course of the review was a credit to the sector agencies.

However, the changing demands of the sector are such that reforms are needed, and the recommendations set out in this report point the way towards a new settlement between agencies, universities, and UUK and GuildHE, the representative bodies that formally have such an important role in the governance of agencies. The review group recognises that the proposal for the new merged body will, in particular, be challenging, as will the impact this will have across the sector. Yet, the group believes that, considered as a whole, the recommendations set out in this review will ensure that, as a sector, we are able to protect and nurture the functions and services that are integral to our future success and ensure that the sector agency landscape is fit for the future needs of all our institutions.
ANNEXE: MEMBERSHIP OF THE REVIEW OF UK HIGHER EDUCATION SECTOR AGENCIES TASK GROUP

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This publication has been produced by Universities UK (UUK), the representative organisation for the UK’s universities. Founded in 1918, its mission is to be the voice of universities in the UK, providing high quality leadership and support to its members to promote a successful and diverse higher education sector. With 135 members and offices in London, Cardiff (Universities Wales) and Edinburgh (Universities Scotland), it promotes the strength and success of UK universities nationally and internationally.