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The cost to providers in England of existing quality assurance and quality assessment practices

Report to HEFCE by KPMG LLP

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Executive Summary

1. This report summarises the findings from a study of the cost of quality assurance and quality assessment practices in English higher education (HE) providers. This includes Higher Education Institutions (HEIs), Further Education Colleges (FECs) and Alternative Providers (APs). Costs have been considered in a number of different areas of activity, each of which is summarised below.
2. An introduction to the scope of the review and the methodology is included at sections 1 and 2 of the report.

Costs of existing quality assessment and assurance practices (sections 3 and 4)

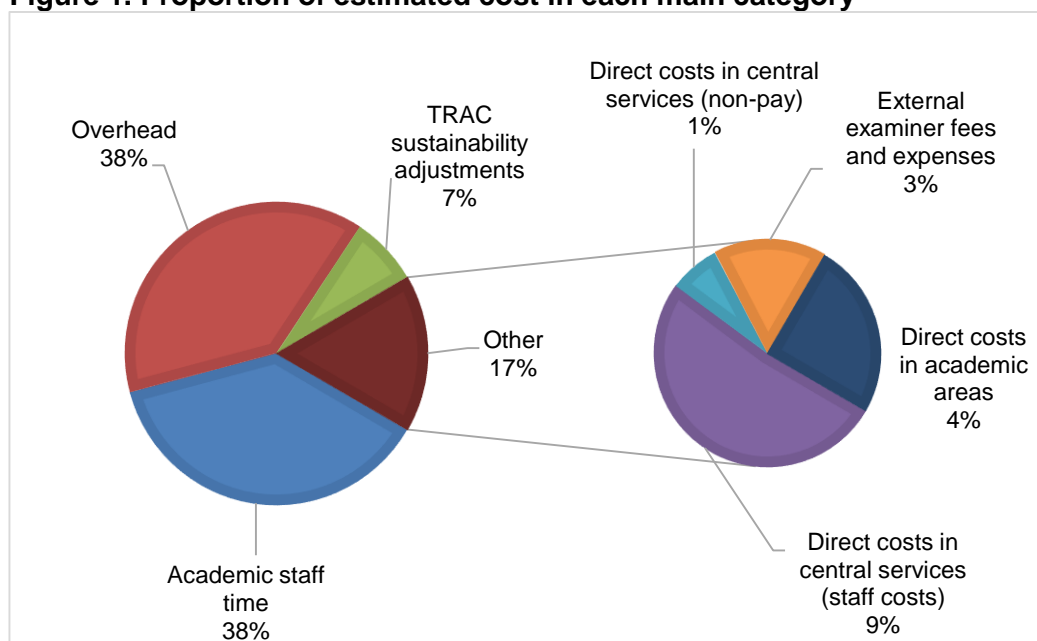
3. Details of the cost of quality assessment and assurance practices are not maintained as a matter of course by HE providers. To establish the cost of these practices, we first reviewed the components of the current quality assurance system and worked with the Higher Education Funding Council for England (HEFCE) and with HE providers to agree the activities that could reasonably be considered to be undertaken for both internal quality assurance purposes and to meet the requirements of external quality assessment arrangements. Through this process we established that such activities are generally seen by those in institutions as an important part of a provider's own obligations for learning and teaching.
4. We built up evidence of the cost of those activities on a full economic cost (fEC) basis for a sample of institutions; that is to say, we used the Transparent Approach to Costing (TRAC) methodology to calculate the full cost of quality assurance and quality assessment in HEIs. We used an alternative approach to capture overhead cost for APs and FECs (see paragraph 77). For the HEIs a methodology was developed that extracted costs from the TRAC process, thus providing a consistent basis for the costings. The methodology then used input from the sample of institutions visited to adjust the costs to reflect the cost of quality assurance and assessment activities only. These costs have been extrapolated using student numbers, to sector level based on data from the sample. The methodology and assumptions are set out in sections 3 and 4.
5. The estimated total costs to institutions of existing quality assurance and quality assessment activities for HE are as shown in Table 1.

Table 1. Summary of sector level extrapolated costs

Type of institution	Number of HE providers in England	HE student numbers ¹	Estimated total annual cost of quality assurance and quality assessment (£ million)
HEI	130	1,401,800	1,001
FEC	203 ²	94,898	66
AP	99 ³	115,458	76

6. The total annual cost for all HE providers in England is therefore estimated at £1,143 million. The difference in cost between different categories of provider is primarily the result of the large variation in total HE student numbers for each category of provider.
7. The estimated cost of quality assurance and quality assessment in the 130 English HEIs of £1,001 million represents 4.1% of total expenditure for 2013-14 (3.8% of FEC)⁴. As this cost relates predominantly to an institution’s learning and teaching activities, we calculate that it represents 7.7% of the total reported teaching cost for 2013-14⁵.
8. The breakdown of the extrapolated costs for HEIs into the main cost categories is summarised in Figure 1.

Figure 1. Proportion of estimated cost in each main category



* see paragraph 76 for details of the sustainability adjustments

¹ Full-time equivalent student data from the Higher Education Students Early Statistics survey 2014 (HESES14) for HEIs, the Higher Education in Further Education: Students survey 2014 (HEIFES14) for FECs and specific course designation annual monitoring returns for APs

² FECs in receipt of direct HEFCE funding. A total of 254 FE Colleges provide HE courses

³ APs completing specific course designation monitoring returns for 2014

⁴ Full economic costs of £26,346 million reported in: TRAC income and full economic costs by activity 2013-14, *Financial health of the higher education sector*, HEFCE (March 2015/07)

⁵ Full economic costs of £13,049 million reported in the above publication

9. To complement the extrapolated cost we separately analysed aspects of direct cost in certain categories such as external examiners and institutional governance structures. Each of these areas of cost is included within the totals quoted above, but they have been built up from data provided by institutions visited and surveyed, rather than from the TRAC process. Details of these costs are at section 4.
10. Similarly, the cost to providers of external quality assessment are included within the estimated total cost; additional information on the cost of external review is included at section 5.
11. We asked those we spoke to in institutions to consider whether cost savings might be possible if there were no external regulatory requirements in this area. Information about the categories of staff we spoke to within institutions and discussion of this potential saving is included at section 4.7. Taking account of those that believed savings were possible and those that did not, institutions estimated that an average cost saving of approximately 3% of the total costs of quality assurance might be possible. This level of saving would amount to £30 million across all English HEIs (0.1% of HEIs' total annual expenditure) and a further £4 million for FECs and APs. Excluding those institutions that believed quality assurance costs would stay the same or increase, the estimated average annual saving was 9% of the total costs of quality assurance (£90 million across all English HEIs and a further £13 million for FECs and APs).

Cost of preparation for external review (section 5)

12. The cost of preparations for external quality assessment review are discussed in section 5. We estimate that the annual total cost of institutions' preparation for Quality Assurance Agency (QAA) review for English HEIs is £2.8 million (assuming that under the current cycle reviews take place every six years). For most FECs (who have not yet had two or more successful reviews by QAA and so review will initially take place on four year cycle), the annual total cost is estimated at £2.7 million
13. In addition, many institutions incur cost in relation to preparation for accreditation visits by Professional, Statutory and Regulatory Bodies (PSRBs). The number and nature of reviews by PSRBs varies enormously from institution to institution due to the impact of individual strategic choices and between individual PSRBs, and the different requirements that exist. We estimate the average annual total cost for preparation for PSRB review in English HEIs to be £5 million.
14. We also considered some of the other elements of quality assurance and quality assessment related activities, including the total cost to HE providers of releasing staff to act as QAA reviewers. This is estimated at a total of £730,000 for the sector as a whole (or £590,000 for HEIs) for reviews taking place in 2014-15.

Opportunity cost (section 6)

15. We worked with institutions to try to identify whether there was any opportunity cost associated with the quality assurance processes operated by HE providers and in

complying with the expectations of the UK Quality Code for Higher Education (the Quality Code) in particular.

16. Quantifying the cost of missed business opportunities is difficult as providers do not routinely gather this information. Although a majority of HEIs did not believe that they had missed any business opportunities as a direct result of the requirements of the current quality assurance system, a significant number commented on the difficulty of ensuring processes were flexible and the consequent risks of displacement or deferment of approval for new business.
17. A third of HEIs did, however, record some specific missed opportunities. The majority of these were in respect of international partnerships. Across the whole of the HE sector, this represents a large number of institutions and the cost or lost income involved may also therefore be potentially significant.
18. Within FECs, the majority of reported instances of opportunity cost related to the need to navigate the complex nature of interactions with awarding bodies.

1. Introduction

1.1 Background

19. This report presents findings from a study of the cost of quality assurance and quality assessment practices in English higher education (HE) providers. This study was undertaken in support of the review of quality assessment which the higher education funding bodies for England, Wales and Northern Ireland are undertaking⁶.
20. The study was designed to consider the cost incurred by a range of English higher education providers – primarily higher education institutions (HEIs), but also including further education colleges (FECs) providing higher education and alternative providers (APs) – in relation to the following areas of activity:
 - i. the activities that HE providers undertake in response to the requirements set out in the UK Quality Code for Higher Education (the Quality Code) and other external reference points
 - ii. the activities that HE providers would undertake, under their own initiative in the absence of any external regulatory requirements in this area, to secure the standard of awards and the quality of the academic experience for students
 - iii. the activities that HE providers undertake to prepare for audit or review by external agencies – specifically, the Quality Assurance Agency for Higher Education (QAA) and Professional, Statutory and Regulatory Bodies (PSRBs)
21. The study has also sought to understand the extent to which business developments and opportunities are supported or inhibited by the current quality assurance system.

1.2 Scope

22. As noted above, the study focused on the cost incurred by the following types of English HE providers:
 - HEIs (of which there are 130 in England)
 - FECs (of which there are 338 in England, including 93 Sixth Form Colleges). A total of 203 colleges provide undergraduate and postgraduate level courses funded by HEFCE in 2014/15 (out of a total of 254 colleges providing HE courses in total)
 - APs (of which there are approximately 700 in total). Two main categories exist: designated (approved for student finance) and non-designated (including approximately 200 QAA-recognised providers for UK Visa and Immigration (UKVI)). The focus of our work has been on the relatively small number of APs with Taught Degree Awarding Powers (TDAP), and those with designated courses. 99 APs completed specific course designation monitoring returns for 2014

⁶ <http://www.hefce.ac.uk/reg/review/>

23. Cost was considered in a range of areas relating to quality assurance and quality assessment. In this report the following definitions are used:
- 'Quality assurance' is used to describe the broad arrangements that exist within institutions to safeguard the standard of awards and the quality of the student academic experience. These institutional arrangements are developed with reference to the Quality Code – which is maintained on behalf of the sector by the QAA – and other external requirements, for example those of PSRBs
 - 'Quality assessment' is used to describe the review activities conducted by bodies external to providers and, in particular, the review activities of the QAA and of PSRBs. Under the 1992 Further and Higher Education Act, the Higher Education Funding Council for England (HEFCE) is responsible for securing that provision is made for assessing the quality of education in the universities and colleges it funds or is considering funding
24. Further details on the framework for quality assurance and quality assessment are provided in section 2.

1.3 Outline methodology

25. The evidence in this report relates to the cost of quality assurance and quality assessment activities in a range of higher education providers. We have investigated the cost and other impacts of these activities at 13 higher education providers in England (nine HEIs, two FECs and two APs). In order to maximise the representativeness of the sample with a view to using the results for extrapolation, the selection of institutions was agreed with HEFCE on the basis of several criteria to capture areas of cost variability and a wide range of experiences with external quality assurance, including:
- Institution size
 - Degree of specialism and statutory/professional accreditations
 - Institution type (Russell Group, other pre-1992, post-1992)
 - Geographical location
 - International profile
 - Partner relationships
26. In each institution, we had discussions with a range of institutional representatives including senior managers, academic staff, and quality and finance professionals. We wish to acknowledge the assistance provided to our work by these institutions and thank them for their support.
27. Our evidence of the cost of quality assurance and quality assessment activities for HEIs was built up on a full economic cost (fEC) basis from information provided by these institutions following the Transparent Approach to Costing (TRAC) principles that are used to calculate the full costs of activities in institutions. It is a requirement of TRAC

that HEIs confirm they are compliant with the TRAC methodology. This adds further reassurance around the consistency and validity of the data on which the costing methodology has been based. Appendix B provides further details about the TRAC and fEC calculation process.

28. We collected additional evidence through:

- Desk based review of documentation
- A sector wide survey with 63 responses from HE providers (encompassing HEIs, APs and FECs) (see Appendix C for summary of the results)
- Two stakeholder workshops with institutional representatives

29. The large number of staff we met enabled us to test and triangulate this evidence both within and across institutions. The methodology included the use of a number of assumptions and these are set out later in this report.

30. The report is set out in the following main sections, in addition to this introduction:

- Section 2 sets out a brief overview of the current quality assessment and assurance system in HE providers
- Section 3 summarises the approach to costing adopted in this study
- Section 4 sets out the current institutional costs of quality assurance and assessment activities
- Section 5 sets out the cost of audit or review by external agencies
- Section 6 identifies the costs of business developments and opportunities inhibited by the current quality assurance system

There follows a series of appendices.

2. Current quality assurance and quality assessment practices

2.1 Introduction

31. In the UK, individual providers that have degree awarding powers are legally responsible for the academic standard of awards and for the quality of the student academic experience, regardless of where a programme is delivered or by whom. Quality and standards are assured internally by institutions, with arrangements then assessed by the funding bodies as part of a co-regulation model. In England, HEFCE holds a statutory duty to ensure that the quality of education is assessed in providers that it funds or is considering funding. Currently, HEFCE contracts with the QAA to undertake a core component of quality assessment – Higher Education Review (HER) – on its behalf in publicly funded providers. The non-publicly funded providers included in this study also undergo HER. Significant review and accreditation activity is also undertaken by a wide range of PSRBs. Similar arrangements are in place in Wales, Northern Ireland and Scotland.
32. Figure 2 illustrates a typical course/programme journey and the associated institutional quality assurance processes, elements of which are described below.

2.2 The UK Quality Code for Higher Education

33. Under HER, providers are assessed against the requirements of the Quality Code. The Quality Code gives HE providers a shared starting point for: setting and maintaining the academic output standards of their HE programmes and awards; and assuring the quality of the learning opportunities they provide for students. The Quality Code therefore makes requirements of HE providers against which their internal quality assurance process are designed. These requirements are key matters of principle that the HE sector has identified as essential for assuring academic standards and quality, and are known as *expectations*. They make clear what UK HE providers are required to do, what they expect of themselves and each other, and what students and the general public can therefore expect of providers.
34. The Quality Code has three parts:
 - Part A on setting and maintaining threshold academic standards
 - Part B on quality and enhancing academic quality
 - Part C on provision of information about HE
35. Each of these is subdivided into chapters covering specific themes, and each chapter may state one or more *expectations*. Expectations cover a wide range of areas, for example processes such as the approval of new courses; annual monitoring of programmes and student achievement; and periodic review of programmes usually at department or discipline level.

36. The Quality Code is clear that it does not interpret legislation nor does it incorporate statutory or regulatory requirements, but a number of topics covered by the Quality Code are also subject to legislation.

2.3 Other quality requirements made of HE providers

37. In addition to adherence to the Quality Code, HE providers are required to comply with other funding body stipulations which relate to the broader quality assurance system. (These stipulations vary according to the type of provider.) In England, for HEIs, these are set out in the HEFCE Memorandum of Assurance and Accountability (MAA). For example HEIs must:

- Subscribe to the Office of the Independent Adjudicator (OIA)
- Provide data and information required by HEFCE and the Higher Education Statistics Agency (HESA)
- Engage with the National Student Survey (NSS)
- Produce Key Information Sets (KIS)

2.4 External quality assessment

38. Most providers encounter two main sorts of external quality assessment for their HE provision – institution-wide review by the QAA and a more discipline-focussed approach by PSRBs. For institution-wide quality assessment, external review differs to a small extent according to the type of provider, but all providers are assessed against the Quality Code and the review method is either HER or variations thereof.⁷

2.4.1 All publicly funded providers

39. HER was introduced in 2013-14 and replaced Institutional Review of higher education institutions in England and Northern Ireland (IRENI)⁸, and more recently Review of College Higher Education (RCHE) for FECs.
40. In 2013-14 (the first year of HER) 47 HE providers were reviewed under the HER method (two universities and 45 further education colleges). At the time of writing, QAA anticipated that a total of 94 reviews will take place in 2014-15 and a further 90 in 2015-16.⁹
41. QAA reviews are carried out by teams from a pool of more than 400 reviewers, who are drawn primarily from UK universities and colleges. The principle of peer review is intended to ensure that providers can be confident that judgements are made by those

⁷ For more information on Higher Education Review, see <http://www.qaa.ac.uk/InstitutionReports/types-of-review/higher-education-review/Pages/default.aspx>

⁸ IRENI replaced *Institutional Audit* which ran from 2002-2011

⁹ QAA programme of reviews, <http://www.qaa.ac.uk/en/ReviewsAndReports/Pages/Programme-of-reviews.aspx>

with experience and understanding of HE. Each review team has a student as a full member.

42. HER results in judgements in four areas. Where a provider fails to attain a satisfactory judgement, follow-up action is required to ensure that appropriate progress has been made in addressing unsatisfactory areas.

2.4.2 Further education and sixth form colleges offering HE

43. The number of further education and sixth form colleges which receive direct HEFCE funding for their HE provision in 2014-15 is 203. As indicated above, all of them are required to undergo review by the QAA¹⁰. FECs currently tend to be reviewed by the QAA on a four-yearly cycle where they lack the required track record in assuring quality and standards (defined as having undergone two successful institution-wide QAA reviews). As with HEIs, once FECs have secured the required track-record, they would move to HER taking place on a six-year basis.
44. FECs without degree awarding powers are responsible to the awarding body for the academic standards of the awards that they deliver. This can be to the HEI which has validated a degree award or to another body, in the case of some Higher National awards. FECs are also responsible for meeting the awarding body's requirement to provide the quality of learning opportunities which will enable the students to achieve the appropriate academic output standards. A number of other FECs are funded indirectly to provide HE courses by way of franchising: the sub-contracting (indirect funding) of the teaching of courses to FECs by partner HEIs.
45. Further education provision delivered by FECs (and HEIs) is subject to inspection by Ofsted under its Inspection Framework for Further Education and Skills. Further education provision subject to this quality and inspection framework has been excluded from this study.

2.4.3 Alternative providers

46. 'Alternative providers' are those HE providers not in receipt of direct public funding. As such, these providers are regulated separately from publicly funded providers and the quality assessment arrangements that apply to them are determined by BIS rather than by HEFCE as part of its statutory duty. APs may include institutions with renewable degree awarding powers, as well as providers with specific course designation granting access to student loan funding, and those providers recognised by UKVI for recruiting international students. Currently, there is increasing commonality in quality assessment approaches, with APs with specific course designation being required to move to a version of HER similar to HEIs and FECs.
47. In 2014, nine APs held degree awarding powers. Two of these (the Archbishop of Canterbury and the University of Buckingham) were granted these powers before 1992,

¹⁰ A few providers may undergo instead 'Initial Review', which while similar to HER, recognises that they have not been (recently) reviewed by the QAA, as they are likely to be new to HEFCE funding.

and hold them indefinitely. The other seven are reviewed by QAA using the HER methodology every six years for the quality of their delivery of HE before their degree awarding powers can be renewed.

48. In 2014 approximately 100 providers had successfully applied to give students on some or all of their courses access to student support (specific course designation). Their academic quality and standards are also reviewed by the QAA. From April 2015, all APs in receipt of public funding via the Student Loans Company (SLC) were required to move to HER.
49. From September 2015 there is a requirement for alternative providers to subscribe to the OIA, the independent body which reviews student complaints against HE providers in England and Wales. Providers with specific course designation, expecting to have more than 50 students claiming student support, must also provide information required by HEFCE and subscribe to HESA data reporting requirements. These providers need not supply data for the KIS or participate in the NSS, but a few do so voluntarily.

2.5 External quality assessment by PSRBs

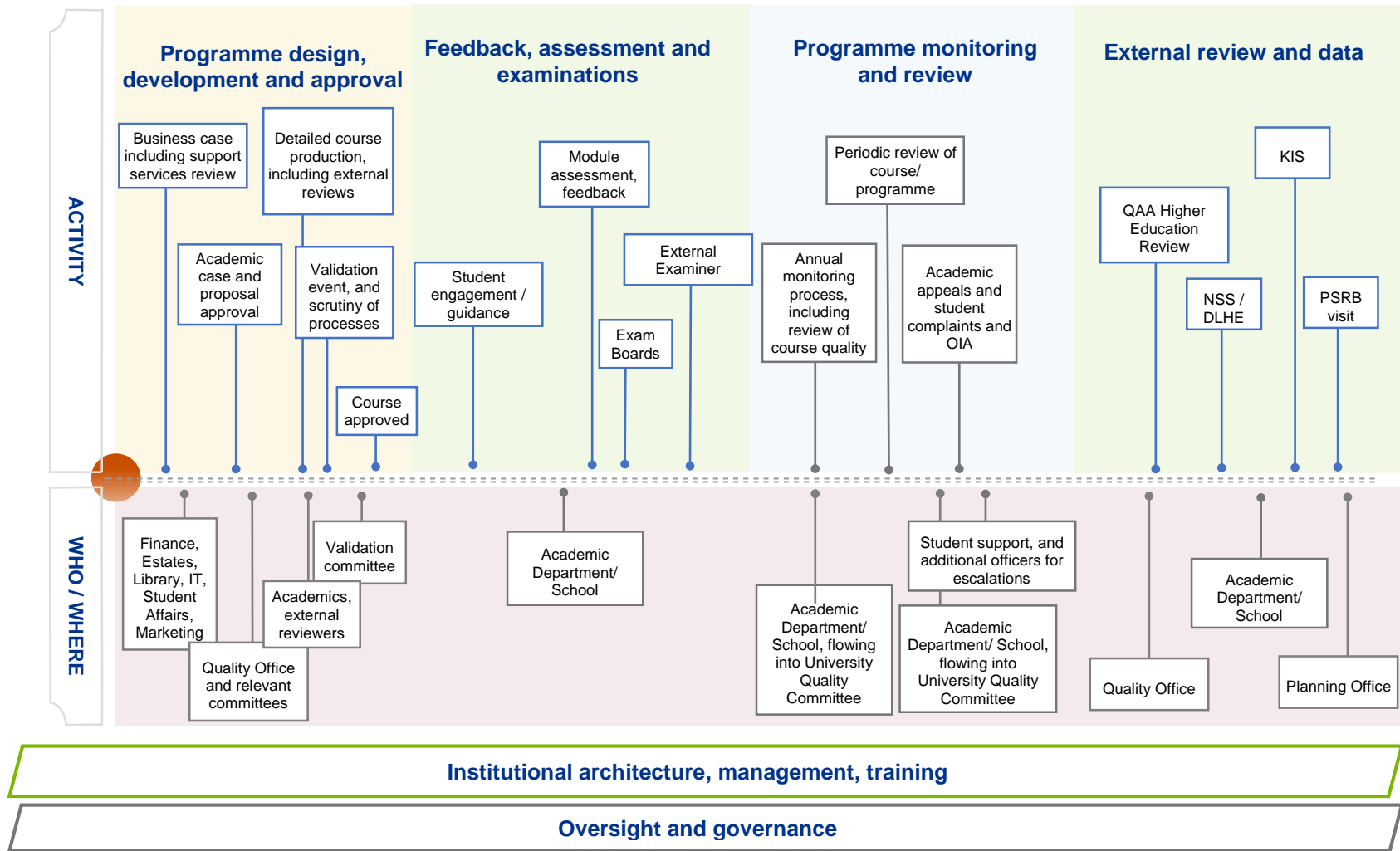
50. PSRBs are an extremely diverse group of autonomous organisations. They set the standards for, and regulate the standards of entry into, particular professions; they operate across publicly funded and alternative providers. For example, the General Medical Council (GMC) is an independent, statutory regulator for doctors in the UK which ensures proper standards in the practice of medicine (in part) by controlling entry to the medical register and setting standards for medical schools and postgraduate education and training. The Royal Institution of Chartered Surveyors is a global professional body for qualifications and standards in land, property and construction; it has exclusive power via Royal Charter to confer chartered status on members in the sector.
51. Many HE providers engage with multiple PSRBs with different roles and responsibilities that may accredit, endorse and/or recognise individual courses. For the purposes of this study certain statutory agencies, such as the National Health Service (NHS) (including Health Education England) and the National College for Teaching and Leadership have also been considered to be PSRBs.
52. The accreditation of a programme of study by a PSRB usually requires providers to prepare some form of self-assessment. This may then be scrutinised (often by a panel appointed by the PSRB) to check, among other matters, curricular content, the skills developed by students and the facilities and resources available to them, and the extent to which the programme meets the requirements of the PSRB. Reports of such scrutiny (and any associated visit by the panel on behalf of the PSRB) are then usually sent to the provider, where frequently they are received at departmental or faculty level. If a bid for accreditation is successful, accreditation might be awarded in full for a number of years, or conditions might be set. It should be noted that some PSRBs require at least one cohort of students to have graduated before they will consider a request for accreditation.

53. Most providers engage with a number of PSRBs through formal accreditation or recognition of one or more courses. PSRBs tend to have direct relationships with the faculty/departmental staff within providers. Some providers however, particularly where there is growth in provision with PSRB involvement, have more formalised processes for engaging with PSRBs in order for the provider to be better assured that requirements are being met across the institution (and in partner institutions).
54. Reports arising from reviews conducted by PSRBs are valuable sources of information on the quality and standards of courses¹¹ and are typically reflected in annual and periodic reviews of course/programmes and academic schools/departments.
55. More detail on PSRBs and their interactions with the HE sector are included in the 2011 report of the Higher Education Better Regulation Group.¹²

¹¹ Although not all PSRB reports are made public.

¹² *Professional, statutory and regulatory bodies: an exploration of their engagement with higher education*, Higher Education Better Regulation Group (HEBRG), March 2011

Figure 2. The course/programme journey and the associated institutional quality assurance process



3. The approach to collection of cost information

56. We have sought to understand the cost to providers of existing quality assurance and quality assessment practices in the following areas:
- i. the activities that HE providers undertake in response to the requirements set out in the Quality Code and other external reference points
 - ii. the activities that HE providers would have undertaken, under their own initiative and in the absence of any regulatory requirements in this area, to secure the standard of awards and the quality of the academic experience for students
 - iii. the activities that HE providers undertake to prepare for audit or review by external agencies – specifically, the QAA and PSRBs
 - iv. the extent to which business developments and opportunities are supported or inhibited by the current quality assurance and quality assessment arrangements
57. Each of these is separately discussed at sections 4 to 6.
58. Details of the cost of quality assessment and assurance practices are not maintained as a matter of course by HE providers and therefore this review had to develop a new methodology, which included making a number of assumptions, which we set out later in this report. It is also the case that certain information was not available at a sector level and therefore alternative data had to be utilised in certain cases. To establish the cost of these practices, we first reviewed the components of the current quality assurance system and worked with HEFCE and with HE providers to agree the activities that could reasonably be considered to be undertaken both for internal quality assurance purposes and to meet the requirements of external quality assessment arrangements. These activities are illustrated at Figure 2.
59. We collected information in a range of areas to understand the above cost and associated cost drivers:
- Direct financial costs – measurable, incremental staff and non-pay costs of quality assurance activities. These include, for example, external examiners' fees and expenses, costs of membership of the QAA, and a small number of one-off capital items such as systems upgrades and software packages
 - The proportion of academic staff time spent on the above activities
 - Overheads (to provide the fEC of these activities)
 - Opportunity cost/displacement of other activities, disruption of day to day operations
60. Where cost is periodic it has been annualised – for example in respect of the cost of preparation for HER which may take place every six years in HEIs, we have taken one sixth of the total cost generated by the obligation.

61. The reported cost only represents institutional cost and does not include other cost to the HE and further education sectors, such as the cost of QAA itself or of the funding and regulatory bodies.
62. In each case study institution we collected data and had discussions with institutional representatives, who included, inter alia:
 - Senior managers (such as Vice-Chancellor, Pro-Vice-Chancellor (Teaching and Learning) etc.)
 - Deans, Associate Deans and heads of large academic units
 - Heads of academic departments and their staff
 - The heads of central quality assurance units and their staff
 - Finance Office staff
 - Staff in other relevant central roles
63. The academic departments visited included a range of disciplines including those with significant volumes of professionally accredited or statutorily regulated programmes (and those with none).
64. Our findings are therefore based on data of activity and direct cost collected on a consistent basis across nine HEIs, two APs and two FECs. These findings were corroborated with and are supported through the results of the sector-wide survey of HE providers (see Appendix C), and through stakeholder workshops with representatives of a number of institutions.
65. Many HE provider staff are, or have been, members of external working groups considering national developments, or may be external examiners and reviewers for other institutions, or members of programme or course validation/approval panels, or members of subject-level accrediting bodies. Many institutions cited developmental and networking benefits arising from their involvement in such activities, with the costs being seen as minimal compared to those benefits.
66. For the purposes of this costing exercise, we have assumed that these costs are reciprocal between institutions and have not therefore separately costed this element of the process. The staff time associated with acting as external examiners is captured in the estimates of overall academic staff time provided by institutions and therefore included in the total cost of quality assurance activities.
67. Some of our findings are based on feedback from institutions, but are not just an aggregation of institutional comments – we have used our professional judgement to interpret and extrapolate, and we have not included views which we felt were particular to one individual, or not relevant to the wider remit of the study. Where appropriate, we have validated reported costs and associated judgements with the relevant institutions, but our work has not verified or provided assurance over the data provided by institutions.

4. The institutional cost of quality assurance and quality assessment activities

4.1 Introduction

68. The range of quality assurance activities undertaken by HE providers is extensive, and includes the following:
- Academic governance arrangements and the design, approval and implementation of academic regulations
 - The design, approval and amendment of courses/programmes
 - Module approval and amendments
 - Assessment of, and feedback to, students
 - The operation of the external examining system
 - Annual monitoring and periodic review of programmes of study
 - The systematic collection of, and response to, student feedback and complaints
 - The assurance of provision delivered in partnership with others (within the UK and internationally)
 - Preparation of data returns and public information about HE
69. Providers also consider broader issues such as the overall learning environment. For example, one of the indicators in the Quality Code is that “Higher education providers maintain physical, virtual and social learning environments that are safe, accessible and reliable for every student, promoting dignity, courtesy and respect in their use”.¹³ These elements have also been considered in the costing methodology applied.
70. Although HE providers are structured in different ways, with some being more centralised and others devolving more responsibility to academic units, there remains a high degree of commonality between different institutions in their approach to the operation of quality assurance activities.
71. We have set out in this section outline costings for the whole system (section 4.2) and more detailed analysis of certain specific elements of cost:
- Academic governance arrangements (4.3)
 - External examiners fees and expenses (4.4)
 - Subscriptions to the QAA (4.5)
 - Subscription to the OIA (4.6)

¹³ UK Quality Code for Higher Education, Chapter B3

4.2 Overall institutional cost information from the visits

72. Our approach to calculating the FEC of quality assurance and quality assessment activities uses the TRAC methodology, but adjusts certain numbers in the TRAC workflow to prevent double counting of the identified costs relating to quality assurance and quality assessment. Our approach includes the key steps set out in sections 4.2.1 to 4.2.3.

4.2.1 Identification of direct costs

73. From our institutional visits, we identified the direct staff costs and non-pay costs of quality assurance and quality assessment activities. These include:

- Staff costs for those professional services staff directly involved in the development and operation of quality assurance policies and practices:
 - Almost all of the institutions (HEIs, FECs and APs) we spoke to on our institutional visits had a central quality office or equivalent which had responsibility for quality assurance policy and practices. The average total staff cost for the quality office or equivalent for those institutions we visited amounted to approximately £736,000 (or £887,000 for HEIs), including those staff directly responsible for student appeals and complaints
 - This institutional structure was confirmed as typical through our sector survey. On average, the survey indicated that institutions employed some 7.6 full-time equivalent (FTE) staff in their central quality office or equivalent (8.4 FTE for HEIs)
 - Some of the HEIs we visited also reported that they employed officers with specific responsibilities for quality assurance arrangements within faculties, departments or schools. The average cost for such staff, together with certain non-pay costs, in the HEIs we visited was £442,000
 - The sector survey confirmed that a large majority (approximately 75%) of HEIs also employed officers with specific responsibilities for quality assurance arrangements within faculties, departments or schools. The survey indicated that on average HEIs employed some 10.1 FTE on average with such responsibilities
- Governance costs and senior management time, where it was possible to separately identify these activities. In certain cases these costs are accounted for in estimates of academic staff time and the associated allocation of central overheads (see section 4.3 for a further breakdown of these costs)
- External examiners' fees and expenses (see section 4.3 for a further breakdown of these costs). The average of these costs for undergraduate and postgraduate students for the institutions we visited was £273,000

- Costs of institutional membership of the QAA and the OIA (see sections 4.5 and 4.6 for a further breakdown of these costs)
- A small number of other non-pay costs such as travel expenses and subsistence costs, and one-off capital items such as systems upgrades and software packages
 - Our analysis has suggested that although there are a range of non-pay costs incurred by institutions, overall they are relatively low compared to the staff costs. The average of these costs identified through our institutional visits was £97,000 (£127,000 for HEIs), including memberships of QAA and OIA where relevant. These costs have been included in the calculation of overall institutional costs
 - Our findings from the institutional visits were confirmed through our sector survey. We asked institutions whether they had purchased any goods or services (including capital items) in the past 12 months to support the delivery of the institution's quality assurance practices. 46% of institutions reported that they had incurred some additional costs. About a quarter of these (or seven institutions) said that these included consultancy costs, typically to support external reviews, or for preparation and implementation of projects. A similar number of institutions reported employing additional staff in more general terms for management of quality assurance processes, staff development, and project management. 15 institutions reported purchasing or incurring costs in developing software to support quality assurance processes

4.2.2 Identification of academic staff time

74. Our approach to identifying the proportion of academic staff is summarised below.

- We met with a range of senior academic staff across a number of institutions and reviewed with them the time spent by academic staff in a range of job roles on the activities set out at section 4.1
- We reviewed these estimates of time against the returns made as part of the periodic Time Allocation Survey (TAS) used for TRAC to confirm that they were reasonable¹⁴
- Survey data confirmed that the estimates of total academic staff time provided by the institutions we visited were comparable with the figures provided by other institutions (typically between 5 and 20%, depending on job roles, although some reported higher percentages for heads of department and other senior staff, with an overall average for other academic staff of approximately 8%)

4.2.3 Calculation of overheads

75. For HEIs, overheads have been calculated using the TRAC methodology, adjusted to remove the direct costs and academic staff time identified in steps 1 and 2 above:

¹⁴ The majority of activities relating to quality assurance are included within the Time Allocation categories listed at Appendix B.

- Allocation of estates and other central service costs have been represented through the allocation of a proportion of central overheads (including for example estates costs, finance, human resources, registry, IT etc.) on the basis of academic staff time
 - Academic staff time spent on quality assurance matters was also deemed to be a reasonable proxy for allocating school/departmental non-pay and administrative staff costs to quality assurance activities
76. The fEC of HEIs includes two institution-specific TRAC adjustments. Whilst for the institutions within our sample we used actual sustainability adjustments, for the purposes of calculating the fEC for the sector as a whole, we have used the overall sector average of these adjustments (7.8% of total expenditure in 2013-14) in our assessment of institutional costs (see Appendix B for more details of these adjustments).
77. FECs and APs do not typically operate an activity-based costing model which can be used to calculate the overheads of quality assurance activities. The overhead costs for FEC and APs have therefore been calculated on the basis of discussion with institutions. These costs exclude the sustainability adjustments included in the HEI costs above. For the purposes of comparison, we have however used the calculated rate for HEIs (7.8%) in the calculations included in sections 4.2.6 and 4.2.7.

4.2.4 Cost of quality assurance activities – HEIs

78. Table 2 summarises the direct costs for the HEIs within our sample.

Table 2. Direct cost for HEIs

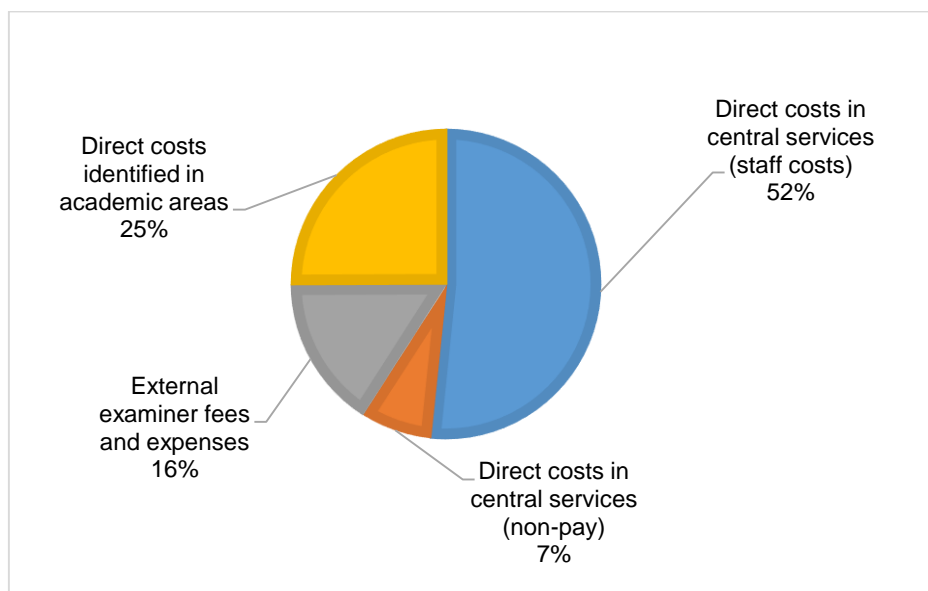
	Direct cost in central services (staff costs) £'000	Direct cost in central services (non-pay) £'000	External examiner fees and expenses £'000	Total direct cost in central services £'000	Direct cost identified in academic areas* £'000	Total direct cost £'000
Institution A	1,205	102	400	1,707	430	2,137
Institution B	1,388	361	398	2,147	700	2,847
Institution C	1,745	89	222	2,056	0	2,056
Institution D	413	168	229	810	330	1,140
Institution E	235	61	40	336	0	336
Institution F	1,098	200	394	1,692	1,483	3,175
Institution G	1,444	80	359	1,883	0	1,883
Institution H	354	61	131	546	933	1,479
Institution I	103	25	285	413	0	413

* excluding academic staff time

79. Note that there was some variation in the extent to which institutions were able to identify direct costs in the centre and in academic areas. Where there were no separately

identified direct costs, these are included in indirect costs. The relative proportions of each category of direct cost as a percentage of the total direct cost for the above nine institutions is illustrated in Figure 3.

Figure 3. Breakdown of direct cost for sample institutions



80. We calculated the fEC using the TRAC methodology for seven of these institutions for whom data was readily available. The results are included in Table 3. We have also set out in Table 4 the primary assumptions used in calculating the fEC of quality assurance activities.

Table 3. Summary of key elements of full economic cost for HEIs

	Total direct costs	Academic staff time	Overhead	TRAC Sustainability adjustments	Total full economic cost
	£'000	£'000	£'000	£000	£'000
Institution A	2,137	6,267	5,446	1,206	15,056
Institution B	2,847	2,465	4,222	499	10,033
Institution C	2,056	2,184	4,331	660	9,231
Institution D	1,140	4,561	5,658	1,306	12,665
Institution E	336	384	475	93	1,288
Institution F	3,175	5,225	2,674	886	11,960
Institution G	1,883	9,270	8,423	1,331	20,907

Table 4. Assumptions used in calculation of full economic cost of activities

Assumptions
<p>1. Indirect and estates costs related to quality assurance and quality assessment activities in respect of postgraduate research degrees are classified to Research through HEIs' TRAC models. These costs have not been separately identified but the academic staff costs related to quality assurance of research degrees are included in the academic staff costs percentages provided by HEIs.</p>
<p>2. Allocation of estates and other central service costs to the central quality office or equivalent are represented through the allocation of a proportion of central overheads on the basis of academic staff time.</p>
<p>3. Academic staff time spent on quality assurance and quality assessment matters is deemed to be a representative basis for allocating non-pay and indirect costs to these activities.</p>
<p>4. There is a premium relating to the costs of international partnerships. We assume that academic staff time percentages and direct costs include costs relating to international (and UK) partnerships. The sample of institutions is deemed to be representative of the spread of international and partnership activities across the sector and therefore costs include an appropriate element of this premium.</p>
<p>5. There is a premium relating to the costs of compliance with the requirements of PSRBs. We assume that academic staff time percentages and (where appropriate) direct costs include costs relating to compliance with PSRB requirements. The sample of institutions is deemed to be representative of the spread of PSRB engagement across the sector and therefore costs include an appropriate element of this premium.</p>
<p>6. Course/programme development patterns and volumes are assumed to be broadly consistent with the existing sample of institutions providing an annualised indicator of the costs of periodic review.</p>
<p>7. The cost of preparation for cyclical QAA and PSRB reviews is included in the costs provided. Based on the feedback received, it is assumed that the sample of institutions provides a representative spread of where institutions are in the cycle of reviews.</p>
<p>8. Certain direct costs with a quality element are excluded from the assessment of the direct costs of quality assurance and quality assessment and are captured through indirect costs:</p> <ul style="list-style-type: none">– Marketing/internal communications/website maintenance– Data collections and student records (including those for HESA, KIS, DLHE and NSS)– Recruitment, selection and admissions– Maintenance of the physical, virtual and social learning environment
<p>9. The full economic cost includes a percentage uplift for the two institution-specific</p>

TRAC adjustments. Costs for individual institutions in Table 3 include the specific adjustments for those institutions. For the purposes of normalising the impact of these adjustments across all institutions, we then use the overall sector average as a proxy for the application of these adjustments to the remainder of the sector in our calculation of sector costs. The two sustainability adjustments added a total of 7.8% to English HEIs' expenditure on average in 2013-14 and we have used this percentage throughout.

Note on materiality:

When confirming compliance with the TRAC requirements institutions can apply materiality. A TRAC requirement need not be fully complied with if by itself it has an impact of less than 10% and a combination of all points of non-compliance (irrespective of their individual impact) has an impact of less than 10% on the calculated charge out rates and costs.

4.2.5 Extrapolated cost for the sector – HEIs

81. In order to calculate a cost of quality assurance and quality assessment activities for all English HEIs, we discussed the main drivers of quality-related cost with the sample of institutions. We considered a range of possible cost drivers, including:
- Number of students (FTE or headcount)
 - Number of programmes/modules offered by the institution
 - Number of professional accreditations
 - Location of study (UK/overseas, on/off campus)
 - Mode of study (full time, part time, distance learning)
82. We reviewed the appropriateness and impact of using these different cost drivers through our discussions with institutions and stakeholders. The sector survey confirmed that distance learning and sandwich courses were the most time consuming in respect of quality assurance practices, and that overseas provision was the most time consuming and costly in respect of location of study. As noted in Table 4 we have assumed that the sample of institutions visited is representative of the spread of international and partnership activities across the English sector and therefore that costs included an appropriate element of this premium. Similarly, in respect of the higher costs associated with distance learning, our sample of institutions has been assumed to be representative of the relative mix of institutions in the sector.
83. The numbers of programmes or modules offered by an institution, and the extent to which those programmes are professionally accredited, do have a relationship to the cost of quality assurance and quality assessment activities. Data on these factors is not however readily available in a consistent form and therefore it was not possible to use these as factors in the extrapolation of cost.

84. We considered the balance between fixed and variable costs in respect of the cost of quality assurance and quality assessment. Although there are a number of obligations in the Quality Code and other external requirements that generate a fixed cost that is incurred by all providers in a way that is not dependent on scale, the evidence from our institutional visits is that there is a relationship between the relative size of institutions (measured by number of FTE students) and the overall costs of quality assurance and quality assessment activities.
85. Using the data and detailed costings from the institutions we visited for this study, adjusted to use a sector average for the two sustainability adjustments, we therefore calculated an average cost of quality assurance and quality assessment per student FTE for those institutions¹⁵. We then applied that average cost per student to the number of FTE students at each English HEI to calculate an overall fEC for the sector as a whole. Using FTE student data the total annual fEC of activities was **£1,001 million** (4.1% of 2013-14 total expenditure).
86. Estimated costs for individual institutions ranged from £124,000 (0.1% of total expenditure) to £34 million (7.8% of total expenditure). Excluding a small number of specialist research and postgraduate institutions, the calculated costs ranged from 1.3% to 8.9% of 2013-14 total expenditure.
87. Table 5 summarises the breakdown of the extrapolated costs for all HEIs.

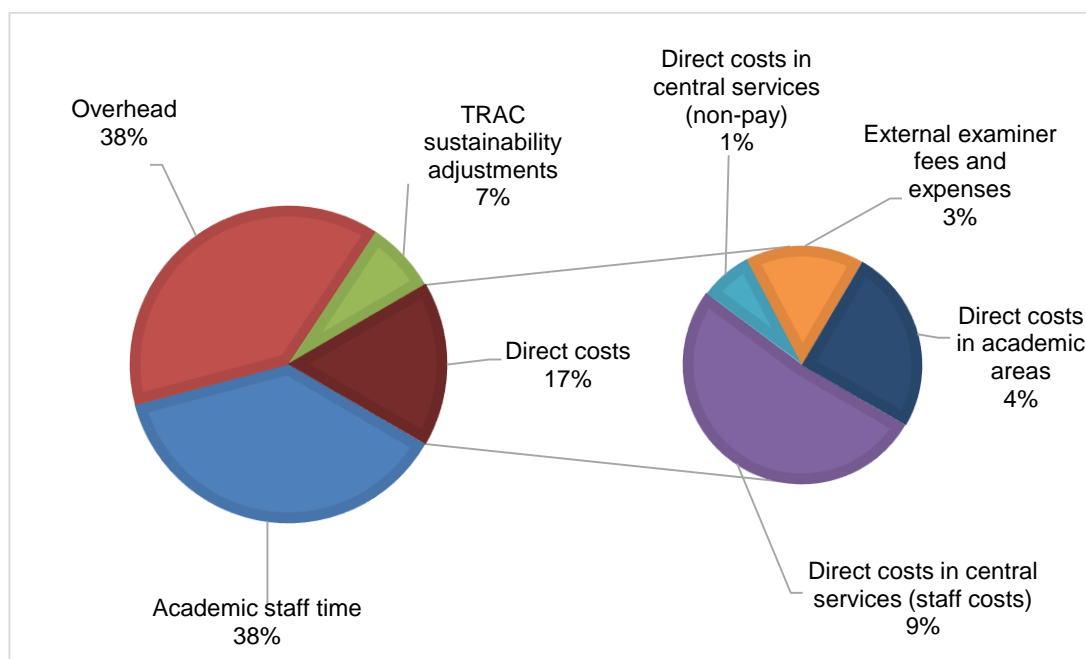
Table 5. Summary of key elements of extrapolated full economic cost for HEIs

	Total direct cost £ million	Academic staff time £ million	Overhead £ million	TRAC Sustainability adjustments £ million	Total full economic cost £ million
HEIs	168	375	385	73	1,001

88. The relative proportions of each category of cost as a percentage of the total cost is illustrated in Figure 4.

¹⁵ Using FTE student data from HESES14, Column 4 and 4a (those students forecast to complete their year of study). We have not adjusted for franchise student numbers as the HEI continues to incur quality assurance costs in respect of franchised students.

Figure 4. Proportion of estimated cost in each main category



4.2.6 Cost of quality assurance and quality assessment activities – FECs

89. For the small number of FECs in our sample, we identified direct costs of quality assurance and quality assessment activities in the same way as for HEIs. However, as noted above, FECs do not typically operate an activity-based costing model which can be used to calculate the overheads of activities. We therefore asked FECs to estimate the overhead to add to the cost of quality assurance and quality assessment activities. An estimated overhead of 50% was added to the direct costs identified by institutions based on the results of those discussions.
90. Using the costs from the FECs we visited for this study, adjusted to include the above estimate of institutional overhead, we calculated an average cost per FTE HE student for those colleges¹⁶. We then applied that average cost per FTE HE student to the number of FTE HE students at each college delivering HE to calculate an overall cost of HE quality assurance and quality assessment activities for 203 English FECs in receipt of direct HEFCE funding. Using FTE student data the total estimated annual cost of such activities was **£62 million**.
91. The further education sector does not have an equivalent to the concept of the sustainability adjustments that are reflected in the fEC calculations used for TRAC in HEIs. For the purposes of enabling comparison with the fEC for HEIs, we have applied a sustainability adjustment for FECs using the HEI rate of 7.8% of total expenditure as a proxy. This increases the estimated total cost of HE quality assurance and quality

¹⁶ Using FTE student data from HEIFES14, Column 4 and 4a. In this case we have included franchise student numbers as the majority of the cost for these students is borne by the FEC or other provider to whom they are franchised.

assessment activities in FECs to **£66 million**. Calculated costs for individual institutions ranged from £5,000 to £1.8 million.

4.2.7 Cost of quality assurance and quality assessment activities – APs

92. Similarly, we also identified direct costs of quality assurance and quality assessment activities for the small number of APs we visited for this study. As for FECs, APs do not typically operate an activity-based costing model which can be used to calculate the overheads of activities. We therefore asked the APs to estimate the overhead to add to the cost of quality assurance and quality assessment activities.
93. Using the costs from the APs we visited for this study, together with the above estimate of overhead, we calculated an average cost per student for those institutions with TDAP and designated courses for which we had data¹⁷ (a total of 99 institutions). We then applied that average cost per student to the number of HE students at each AP to calculate an overall cost of HE quality assurance and quality assessment activities for all these APs. Using FTE student data the total estimated annual cost of such activities was **£70 million**.
94. As in the further education sector, APs do not have a standard approach to fEC sustainability adjustments as used for TRAC in HEIs. For the purposes of enabling comparison with the fEC for HEIs, we have therefore applied a sustainability adjustment for APs using the HEI rate of 7.8% of total expenditure as a proxy. This increases the estimated total cost of HE quality assurance and quality assessment activities in APs to **£76 million**. Calculated costs for individual institutions ranged from £24,000 to £10.8 million.

4.3 Academic governance arrangements

95. The authority and responsibility for setting and maintaining academic standards is vested in the senior academic authority (for example the Senate or Academic Board) of the degree-awarding body. This senior academic authority determines the governance and management framework to assure academic standards and the quality of the student academic experience and how operational functions will be delegated. It approves the academic frameworks and regulations which form the internal reference points for academic standards and the quality assurance procedures which will be used to maintain those academic standards.
96. We asked institutions about the key elements of the governance arrangements in place in respect of quality assurance practices. Providers have a range of governance structures. We have set out below some typical arrangements for illustrative purposes:

¹⁷ Student data for APs is collated from specific course designation annual monitoring returns for 2014. Student number data is for FTE and is provided for the financial year 2014-15 (which may vary between providers).

Example pre-1992 university governance structure

- University Learning and Teaching Committee – meeting four times per year with 15 members
- Four sub committees – each meets six times per year and has approximately 10 members
- University research degrees committee – meeting four times per year with 18 members
- One (relevant) sub committee meeting monthly (11 times a year), with 10 members.

This equates to a total of 43 meetings at the institutional level. We have estimated that a total 964 individual staff hours would be involved in these meetings in an academic year, plus preparation/reading time, which we have estimated as half the meeting time (or 482 hours in total).

The university has four faculties, each with a Faculty Learning and Teaching Committee. The numbers of members and meetings may vary. On average the faculty committees have 18 members, each with 11 2-hour meetings per annum. This equates to approximately 1,584 individual staff hours in such meetings plus 792 hours of preparation/reading time.

Therefore the total time in meetings at institutional and faculty level together is estimated at 3,822 including preparation time and equates to 2.3 FTE (using a standard year of 1,650 working hours). Members of these committees are a mix of senior managers and senior academics. Using a blended median salary for senior management and senior lecturers in an HEI plus 25% on costs¹⁸) this equates to an annual total cost of the committee meetings of approximately **£199,000**.

Note that in this instance we have excluded the costs of the Senate whose remit is wider than quality assurance and the costs of the structure at the school level, which we have assumed is more operational. Both of these will also have a quality element however. Inclusion of the costs of Senate meetings would add approximately £16,000 to the total.

97. We note that these committees deal with far more than 'quality assurance'. We also note that in many institutions there were also a large number of other groups looking at a variety of issues which relate to student education priorities such as staff/student forums and boards of studies. We have not separately calculated the cost of these groups, which are generally more operational. The staff time spent in these groups is captured through the estimates of academic staff time and the indirect costs provided below.
98. Governance arrangements vary significantly between institutions but there are some discernible patterns. Our analysis of governance arrangements at those institutions we visited, together with the results of our institutional survey, suggest that the majority of HEIs hold between 15 and 100 meetings a year at institutional level (including Senate, Teaching and Learning Committee, Quality and Standards Committee and various sub committees). The number of members of each of these committees ranges between 8 and 30 depending on the institution (and often more for Senate or Academic Board). We have calculated an overall average of approximately 800 hours spent in meetings each

¹⁸ Extracted from HESA data

year for the institutions that responded to the survey, and estimated 400 hours of time for meeting preparation/reading time (excluding the cost for the secretariat function). This equates to approximately 1,200 hours, or 0.73 FTE in total, with a cost of approximately £63,000 per institution using a blended rate of median salary for senior management and senior academic staff¹⁹.

99. If the costs of faculty (or equivalent) structures are taken into account, as in the example above, the average cost is significantly higher. For those institutions that responded to the survey, we estimated an average of 1,200 hours involved in faculty board and quality meetings, plus 600 hours preparation time. In total this equates to approximately 1.1 FTE, with a total cost of £73,000 per institution (based on the median cost of a senior lecturer).
100. An average cost of £63,000 per institution equates to an estimated total annual cost across the 130 English HEIs of **£8.2 million** for institutional level governance structures, with an additional **£9.5 million** for the faculty level structure.
101. As above, we have not separately calculated the cost of school/departmental management structures, staff/student forums and course-level committees. The time spent in such groups is included within the estimates of academic staff time. Similarly we have not included overheads which are reflected in the fEC calculations at 4.2.
102. Within FECs, whilst there were a wide range of structures, which makes comparisons difficult, from our discussions with institutions and the survey results, we found that there was a pattern. A small number of colleges had simple structures where key committees met infrequently through the year. Other institutions had a more complex structure, with large memberships of certain committees.

Example governance structure within an FEC

In one college, management operates three HE groups, each meeting three times per year covering the following areas:

- 1) Standards, quality and enhancement
- 2) Management and strategy
- 3) HE information, marketing and recruitment

Membership of each group is 10 staff and meetings are estimated to last an average of one and a half hours, plus approximately one hour preparation or reading time.

A total of nine meetings in the year, each with 10 staff spending 2.5 hours on each, gives a total of approximately 225 hours spent in meetings, or 0.14 FTE with an estimated cost of approximately £9,000 (using the salary costs for an average senior academic of £50,000 plus 25% on costs).

¹⁹ Based on a standard year of 220 days and 1,650 working hours (and using a blended median salary for senior management and senior lecturer in an HEI (extracted from HESA data) plus 25% on costs

Note that the HE groups feed into the FEC's Curriculum and Standards Committee and Corporation. These groups deal predominantly with further education business and are not included in these costings.

103. For the FECs that responded to our survey, we calculated the total number of committee meetings in an academic year and the total membership of those committees. Using an average of 1.5 hours spent in each meeting resulted in an estimated total of 290 individual staff hours for each institution for the key institutional level committee meetings such as Higher Education Committees, Teaching and Learning Committees, and Quality and Standards Committees (or equivalents).
104. We found that in addition to these key college wide committees, a number of colleges also operated departmental teaching and learning or quality and standards committees, and subject committees, which have a significant quality element. For the FECs that responded to our survey, we calculated the total number of such departmental meetings in an academic year, and the total membership of those committees. Using an average of 1.5 hours spent in each meeting resulted in an estimated total of 240 individual staff hours for each institution for such meetings.
105. With the addition of preparation time of one hour for each person for each meeting, the average time spent in institutional level meetings in the year was estimated at 480 hours, being approximately 0.3 FTE, costing £18,000 per FEC.
106. The equivalent time spent in departmental level meetings was estimated at 400 hours with an average estimated cost of £15,000 per FEC.
107. This equates to an estimated total annual cost across 203 English FECs with direct HEFCE contracts of approximately **£3.7 million** for institutional level governance structures, with an additional **£3.1 million** for the departmental level structure.

4.4 External examiners' fees and expenses

108. While the Quality Code identifies what awarding bodies should expect of their external examiners, the exact role varies across institutions. All examiners are required to report on student achievement and the arrangements in place to assess and confirm this.
109. Fees and expenses of external examiners vary between institutions. Surveys by academic registries between 2006 and 2009 of the level of fees paid to external examiners show the majority of annual fee payments to individual examiners for undergraduate duties falling in the range from £300 to £700.²⁰ We understand that fees paid today remain at a similar level. The low end will generally relate to programmes with small numbers of students and perhaps a more limited module-level role for the external examiner. At the high end, it includes responsibilities for programmes and modules with large student numbers. The way the fee is constructed varies from institution to institution and typical factors in calculating the fee include the number of

²⁰ The Higher Education Academy, *A handbook for external examining*, 2012

students, number of modules, the number of visits (especially relevant for the visual and performing arts) and the level of responsibility (module, programme, subject, institutional).

110. For taught postgraduate programmes a basic fee is often based on the number of students on the programme and then further fee payments relate to the number of dissertations to be examined.
111. In addition to fees, an institution pays external examiners all reasonable expenses incurred in carrying out their duties, typically the cost of travel and accommodation according to the institution's standard expenses regulations.
112. There is an assumption in institutions that senior staff will be acting as external examiners for other providers and there is therefore an expectation that part of the professional development of an academic teacher is being appointed as an external examiner. Time allocation surveys completed for TRAC capture the costs of academic staff acting as external examiners as part of 'support for teaching'.
113. We have derived an average cost per student for external examiners' fees and expenses, based on the costs provided by the nine HEIs that we visited, with an average cost per student²¹ of £18. Using student numbers as a proxy for the overall volume of activity across the sector (acknowledging that the mix and respective costs of undergraduate and postgraduate students will vary at the level of individual institutions), we calculated an annual total cost of external examiners' fees and expenses for the 130 English HEIs of **£26 million**.

4.5 QAA subscriptions

114. Publicly funded HEIs in England are required to subscribe to QAA through the requirements of the HEFCE MAA.
115. FECs providing HE that is directly funded by HEFCE are also required, through their funding agreement, to subscribe to QAA.
116. Non-publicly funded bodies that hold renewable UK degree-awarding powers are required to subscribe to QAA as a condition of the grant of those powers.
117. Subscription rates are determined based on the number of students enrolled, and vary from £2,575 to £50,000 for 2014-15. The subscription rates for subscribing institutions that are not publicly funded are set at a minimum value of £23,350 (up to 10,000 HE students) to ensure that these institutions are paying a full-cost subscription and that there is no cross subsidy from public funding (for example, from funding council contract income).

²¹ Using FTE student data from HESES14 HEIs, Column 4 and 4a (students forecast to complete their year of study)

118. The majority of institutions have between 15,000 and 30,000 students (and are paying £34,000 or £40,000). Using HESA student number data to establish the respective bandings of individual HEIs, we estimated that the total annual cost of subscriptions for English HEIs was approximately **£3.8 million**.

4.6 OIA subscriptions

119. The OIA's core funding is also from subscriptions. Each institution is placed into a band depending on number of students and pays a core subscription fee of between £827 and £100,545 in 2015 (the second largest subscription was £53,179)²².

120. From 2014 subscriptions may also include a smaller case-related element where the number of complaints received by the OIA from students at the university in the previous year exceeds the band threshold. Each case that students bring above that number incurs 'points' and then the number of points by which the institution exceeds the threshold determines the fee. Approximately one third of institutions pay a case fee²³.

121. In 2015, the total annual cost of subscriptions for English HEIs (including both core and case-related subscriptions) was approximately £3.7 million.

122. The government has recently changed the law to require alternative providers offering HE courses that are designated for student support funding and those with degree awarding powers to join the OIA Scheme. They will join the OIA Scheme on 1 September 2015.

Summary

The estimated annual institutional costs of existing HE quality assessment and assurance activities are therefore:

- For HEIs, £1,001 million
- For FECs, £66 million
- For APs, £76 million

The annual total for all HE providers is therefore estimated at £1,143 million.

We have separately analysed aspects of cost in certain areas such as external examiners and institutional governance structures. These are included within the above costs, but are reported separately for illustrative purposes.

Similarly, the costs of external review are included within the above estimated total costs, but additional information on the costs of external review is included at section 5.

²² The average core subscription paid in 2015 was approximately £25,000 (based on OIA data).

²³ The average case-related element paid in 2015 (based on cases received by OIA in 2014) was approximately £1,400 for all English providers (based on OIA data).

4.7 Potential for cost savings

123. We worked with institutions through a combination of the institutional visits, sector survey and stakeholder workshops to establish the cost of the activities that institutions would have undertaken, under their own initiative, to secure the standard of awards and the quality of the academic experience for students if there were no external regulatory requirements in this area.

124. Most institutions we visited told us that they found it very difficult to distinguish between the cost of activities undertaken in the context of the requirements set out in the Quality Code and other external reference points (for example those of PSRBs), from those that they would undertake in the absence of those requirements. The range of comments made by institutions during the course of our review is captured below:

- *The Quality Code adds to the costs of the paper trail, demonstrating, recording – we might focus more on outcomes if the Quality Code wasn't there*
- *The Quality Code has shaped our processes and regulations, but our processes exist outwith the code – they are fully embedded so we wouldn't change our processes if the code didn't exist*
- *If it wasn't there we would have to do the same things – but we wouldn't be able to benchmark ourselves against other institutions*
- *The framework helps us to know what we have to have in mind. The Quality Code should provide baseline principles but keeps getting bigger as a response to what is seen to be good practice – there is a tendency to codify these things on top of original intentions*
- *The key question for reducing the baseline is how can we get QAA to rely on the accreditations of other bodies?*
- *The main difference would be removal of preparations for [HER]. Otherwise, it is likely that we would continue to subscribe to a common code of practice for the UK higher education sector which provides assurance to students, the general public, stakeholders and those overseas of the ongoing quality of UK higher education*
- *We aim to ensure our quality processes support the delivery of a world class student experience and the Quality Code sets the parameters by which this is achieved*

125. We asked institutions whether they felt their quality assurance practices aimed to meet or exceed the requirements of the Quality Code and other external reference points. We also asked them to summarise the changes they would make to their practices if they were no longer required to meet these external expectations.

126. A total of 30 institutions (half of those that responded to this question) reported in their survey responses that their current practices exceeded the Quality Code requirements. Of these 30 institutions:

- Two out of three APs said that removal of the Quality Code would not reduce resources required
 - One AP indicated that there would be some modest savings (up to 10%) around evidence retention and reducing the formal administrative framework, but that the underlying quality assurance practices and commitment to delivering to the Quality Code standards would remain in place
 - Eight out of sixteen HEIs that commented said that they did not believe removal of the Quality Code would reduce the overall level of resources required. Four told us that it would reduce the resources required by between 5% and 15%, and two told us that it would increase the resources required
 - Three out of ten FECs commented that removal of the Quality Code would increase the resources required. Seven said it would reduce the resources required
127. Some 29 HEIs and 3 FECs said that their current practices aimed to meet Quality Code requirements. Of those, 18 HEIs indicated that if the Quality Code was no longer a requirement, they could reduce the institutional resources required (mostly by between 5 and 10%).
128. 34 institutions indicated there were modest cost savings to be achieved if the Quality Code was removed. They suggested the following areas of potential saving:
- Many institutions indicated that they would retain the main elements of their assurance processes, but that they would manage the processes in a more streamlined way. Areas of saving would be primarily in the level of detail required to demonstrate compliance with all the key indicators – the focus would therefore be on the formal administrative and governance framework, and on documentation/narrative evidence, with a reduced focus on policies, processes and double-checking
 - Collaborative provision/management of HE with others. Some institutions indicated that they felt constrained by the Quality Code in this area and there was scope for operating a more genuinely risk-based approach
 - Adopting a more risk based approach to annual/periodic/school review with a focus on student outcomes data to provide a more regular 'snapshot' of performance. Academic areas could be required to provide less evidence and narrative where all is deemed to be working effectively. Some institutions indicated that there is currently an aversion to reducing the paperwork as it is regarded as necessary as an 'evidence base' for visiting reviewers
 - Reduce data and documentation collected to provide evidence of enhancement (a narrower focus on quality assurance)
129. Across the 58 institutions that provided an estimate of the impact on cost of removing external regulatory requirements in the survey (whether an increase in cost or a saving), the overall average annual saving was estimated at 3% (excluding the impact of removing the requirement for HER). The same estimated percentage saving was

estimated by the 42 HEIs that responded to this question. Although this is a relatively small percentage saving, this level of saving could amount to as much as £30 million of the £1,001 million total estimated cost of quality related activities across all 130 English HEIs, and a further £4 million for the group of FECs and APs considered in this study, based on the total costs estimated in section 4.2.

130. Excluding those that believed the cost would stay the same or increase, for the 34 institutions of all types that estimated a saving was possible, the estimated average annual saving was 9%. If achieved consistently across all English HEIs this level of saving could result in annual cost savings of a total of approximately £90 million, and a further £13 million for FECs and APs, based on the total costs estimated in section 4.2.

Summary

Most institutions concluded that the current arrangements within their institution constituted a minimum or baseline level of work for quality assurance.

Institutions' own estimates suggest that an annual cost saving of perhaps 3% of the total costs of quality assurance (or up to £34 million) might be possible from the removal of the Quality Code and other external requirements (£30 million for HEIs, or approximately 0.1% of HEIs' total annual expenditure).

Excluding those institutions that believed the cost would stay the same or increase, the estimated average annual saving was 9% of the total costs of quality assurance (approximately £103 million, or £90 million for HEIs).

5. Audit or review by external agencies

5.1 Costs of external review by the QAA

131. We have calculated the cost to institutions of going through HER (or for those institutions that have not yet been through HER, the previous process of institutional review). This includes the cost of work done by HEIs directly to prepare for external reviews, through such activity as drafting self-evaluation documents; briefing staff and students; preparing background documents; and holding meetings with review teams.
132. It typically includes the cost of academic and management time in activities directly related to the review but in most cases also includes minor non-pay cost relating to providing accommodation and hospitality for reviewers, and printing documents. For the avoidance of doubt these costs do not include the costs incurred by the QAA which carries out these external reviews.
133. There are non-financial (or opportunity) costs associated with undergoing external quality assessment review – these could include changes in institutional behaviour such as becoming more risk-averse, or in restricting the activities that certain managers can undertake due to resource constraints.
134. We consider these specifically in the next section of this report and they are not reflected in the cost set out below.
135. Finally, from our review of documentation and our discussions, we noted that there is a significant effort for a students' union to prepare a submission for HER, and to provide input during the visit itself. We have not specifically costed these inputs as they are not a cost to the institution itself.

5.1.2 Preparations for higher education review

136. We found that initial preparations for review typically commence between 12 and 24 months prior to the date of the review. It was common for institutions to establish steering groups to review the extent to which their processes are sufficiently aligned with the expectations of the Quality Code and to begin the important processes of briefing staff and of drafting self-evaluation documents. At this stage initial briefings would be provided to the Senate or Academic Board, and more regular discussions would be held at Academic Standards and Quality Committee (or equivalent).

Preparing for HER

One Russell Group university, which is due to undergo HER in 2016, had taken a full project management approach to its forthcoming HER. With more than 12 months until the planned visit, a separate web page had been established, setting out how the university was preparing. A Higher Education Review Project Team led by the HER project manager had been established to review existing practices and undertake preparations in readiness for review. The team had identified a wide spread of areas and activities from across the university that were expected to provide a substantial contribution to the review.

During the lifetime of the project the following areas and activities were anticipated to provide a substantial contribution to the project with the rationale that they are significantly involved in how the university sets/maintains academic standards, provides learning opportunities, provides information and enhances the learning opportunities of students:

- Pro Vice-Chancellor Education and the Vice-Chancellor's Advisory Group
- Senate
- University Planning & Resources Committee
- Academic Directors and Faculty Education Directors
- The Academic Registry including but not limited to:
 - Academic Registrar
 - Deputy Academic Registrar (Quality)
 - The Academic Quality & Partnerships Office
- Student Recruitment Access and Admissions
- Secretary's Office
- Student Services
- Communications and Marketing
- The Students' Union
- Faculties and Schools

More than 12 months out from the review, the project team was seeking case study examples of areas of good practice from academic schools for inclusion within the self evaluation document.

137. Much of the effort involved in preparations for external review is from staff who would otherwise be undertaking other quality assurance-related activities, and there is therefore some displacement of other work as a result of these preparations. As such this is not additional cost to the institution.
138. Typically slightly later in the process, other streams of activity would commence, including the collation of case study documents for uploading to a QAA web portal, and event management preparations.
139. At this stage some institutions held mock audits or 'dry-runs' often involving external participants, or members of staff who were trained as QAA reviewers. Some institutions paid for external consultants to carry out a mock audit or review of the draft self evaluation document.

140. We set out in Table 6 an illustration of the preparations and associated time inputs from an HEI that has been through the HER process.

Table 6. Preparing for HER – estimated hours

Activity	Total estimated hours
Steering group: Met monthly to oversee review preparations and support the writing of the self evaluation document – involved 12 members of staff meeting for approximately 1.5 hours per meeting, plus some preparation time. Estimated time 24 hours for each of 12 meetings.	288
Preparation of self-evaluation document and review of regulations/procedures: - Member of senior management, estimated time 200 hours - Quality team: four staff involved in reviewing drafts and evidence. Total estimated time 500 hours.	700
Project officer for seven months to help with logistics, coordination, collation of documentation.	962
Evidence gathering: For uploading onto the website – in addition to the time of the quality team referred to above, the university submitted over 1000 pieces of evidence. Up to one day a week for eight quality staff in centre and academic units for a period of up to six months.	1,308
Committee meetings: Some time was spent in committees but no additional committee meetings and no new committee structures were formed (other than the steering group). Estimated 2 hours of Committee time over the preparation period for each of 15 members of Committee.	30
Senior management time: For review and preparation for the visit.	50
Training/briefing sessions: A one-day and two half-day events which together briefed a total of approximately 60 people, plus four general open staff briefing sessions each of 1 hour with around 15 – 20 people.	400
Briefing collaborative partners.	30
Briefing students and supporting Students' Union in review.	5
Visit: five days, involving the quality assurance team and a total of around 60 staff interviewed. In total there were 13 hours of meetings – with most being 1 hour or 1.5 hours.	60
Total hours	3,833

141. Total staff hours involved in review preparations were therefore estimated at 3,833 hours. This equated to 2.3 FTE²⁴ with an estimated cost of £120,000 in total (based on the range of different salary costs for those involved). Non-pay costs specifically associated with preparations for the review were limited to the use of an external consultant at a total cost of approximately £4,000. Non-pay costs in respect of the review itself were limited to catering/hospitality, room, printing and were estimated at £7,000. The total cost of preparations for the review, and the visit itself, prior to the inclusion of overheads, was therefore estimated at approximately £131,000. Additional costs incurred subsequent to the visit as part of follow up activities are not included in this calculation.

5.1.2 Estimated cost of HER

142. Alongside this example, for most of the institutions we visited we estimated the direct cost of their preparations for HER or for their most recent IRENI. The overall costs obtained from our institutional visits are set out in Table 7:

Table 7. Estimated direct cost of higher education review (or institutional review)

Institution	1	2	3	4	5	6	7	8	9	Average
Total pay cost (£'000)	20	47	250	42	120	117	80	120	77	97
Non-pay costs (£'000)	0	0	0	0	11	5	1	5	7	3
Annualised costs* (£'000)	5	8	42	7	22	20	14	21	14	17

* Assuming a review takes place at six years for APs and HEIs and at four years for FECs

143. The sector survey we undertook confirmed these estimates. Of those that responded to the survey, 50% of HEIs estimated the total hours involved in preparation for HER/IRENI were 2,000 or less, and 79% estimated total hours of 5,000 or less. 70% of FECs estimated total time of less than 1,650 hours (approximately 1 FTE).

144. Using the results of the survey, Figure 5 illustrates the estimated total staff hours of providers in preparing for and during their most recent QAA visit. Table 8 which follows illustrates the estimated average total staff cost.²⁵

²⁴ Based on a standard year of 220 days, 1,650 working hours

²⁵ Based on a standard year of 220 days and 1,650 working hours (and the median salary for a director/manager in an HEI (extracted from HESA data) plus 25% on costs

Figure 5. Estimated staff hours preparing for and during most recent QAA visit

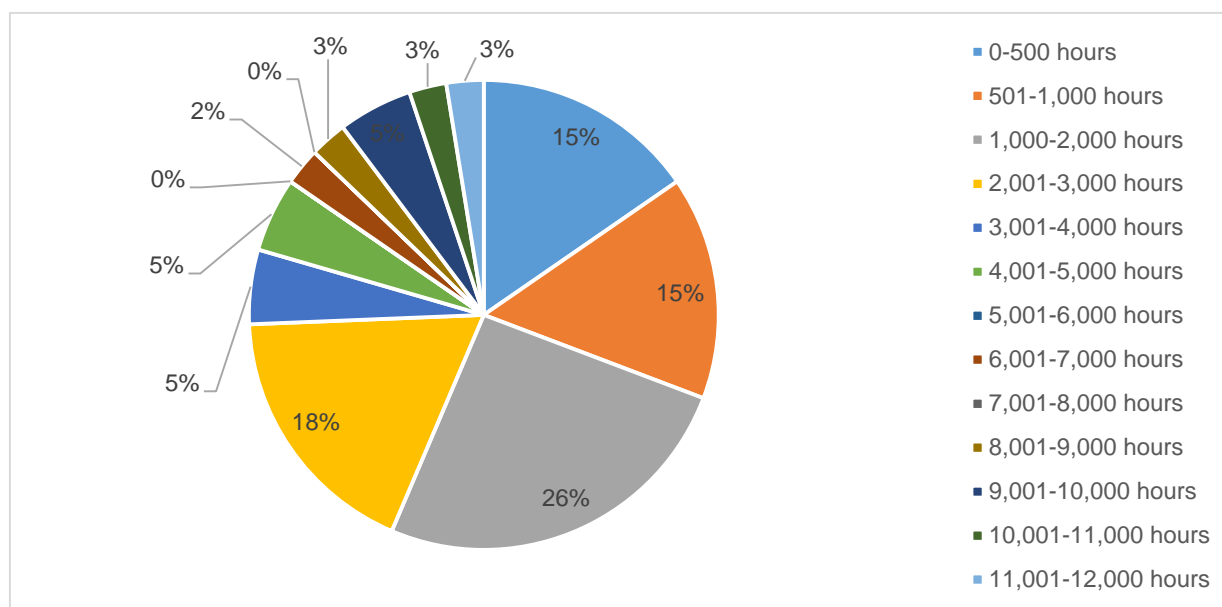


Table 8. Staff cost of higher education review (or institutional review)

	Estimated total hours	Estimated cost ²⁶ £'000	Annualised staff cost ²⁷ £'000
Russell Group	4,272	157	26
Other pre 1992 institutions	3,951	146	24
Post 1992 institutions	2,591	95	16
All HEIs	3,388	125	21
FECs	1,324	49	12

145. Institutional size and complexity was a significant factor in determining the total hours. Cost may be relatively more of a burden for smaller institutions due to diseconomies of scale. The relative degree of centralisation within a provider may also be a factor – some post-1992 institutions may be larger than pre-1992 institutions but tend to be more centralised. However, two of the institutions with the highest number of estimated hours were post-1992 institutions.

146. Our sector survey indicated that 24% of institutions had recruited additional specialist staff prior to the visit, or for the visit itself. For the vast majority of these institutions, this was one FTE (or fewer), typically in a project support role, collating information and documentation.

147. Almost half of institutions incurred other direct (non-staff costs) in preparation for external review, predominantly in respect of external review of preparations, mock audits

²⁶ Based on a standard year of 220 days and 1,650 working hours (and using a blended median salary for senior management and professional staff in an HEI (extracted from HESA data) plus 25% on costs

²⁷ Assuming reviews take place at six years for HEIs and at four years for FECs

and other related consultancy. Non-pay costs were relatively low for most institutions, averaging £2,300 for all HEIs (or £6,000 for those that incurred costs) and just under £1,000 for FECs and APs (or £2,000 for those that incurred costs). Other non-pay costs including for hospitality, printing and communications were generally regarded as insignificant.

148. Overall, the evidence from our institutional visits and the sector survey is therefore that the large majority of effort involved in preparations for external review is from existing management and staff who would otherwise be undertaking other related activities.

5.1.3 Total cost to the sector

149. Average direct cost per HEI was therefore estimated at £127,000 per review (with a wide range between £11,000 and £700,000), which when annualised amounts to £21,100 per HEI if reviews take place every six years (a range of £1,800 to £117,000). Overall, the annual total cost of QAA review for the 130 English HEIs were therefore estimated at **£2.8 million** (assuming that under the current cycle reviews take place every six years).²⁸
150. For FECs, with an estimated annual staff cost of HER preparations per FEC of £12,100 and non-pay cost of £1,000, the total direct cost of HER preparations for the 203 institutions with direct HEFCE contracts was estimated at approximately **£2.7 million** (assuming that currently reviews tend take place at four years).
151. The data for the cost of external review in APs is more limited, but the evidence from the institutions visited and from those that responded to the survey is that the cost of review for the larger APs are similar to those for the more complex HEIs. Therefore for the seven institutions with TDAP, the annual direct cost of review were estimated at £140,000 (assuming an interval of six years between reviews and an average cost of £23,000 per institution). APs also undergo annual monitoring with which is associated additional cost.
152. In addition to the cost of the review itself, external review also has an impact on the institutions that provide auditors to the QAA for the process (see 5.4).

5.2 Reducing the cost or burden of external review

153. We asked institutions that had been through the review process whether they felt they had 'over-prepared' for reviews, and typically institutions reported they had needed to undertake the preparation.
154. In response to the survey, 36 institutions commented on whether or how the cost or burden of QAA review could be reduced:

²⁸ Note that the cost of preparation for cyclical QAA reviews is included in the total institutional costs calculated at section 4.2

- Eight of those either felt that the burden/cost could not be reduced or were unable to identify any ways in which it could be

155. Of the 28 who provided suggestions:

- Nine said the process should be more risk based, with less frequent reviews for lower risk providers. Institutions with this view ranged across the sector, with this view expressed by one FEC, four post-1992 and four pre-1992 institutions
- One FEC advocated a single inspection system for all post-18 education
- Five institutions suggested that the process could be more metrics based, or use data or existing statutory or regulatory returns
- Seven institutions felt that the process could be more narrowly focused – for instance by excluding enhancement activities, by excluding partner institutions where they were subject to separate processes, or reducing certain other judgements
- 10 institutions commented on the volume of evidence/documentation that the reviewers required, and felt this could be reduced
- Three institutions made suggestions for the visit itself, the meeting schedule and the documentation requirements whilst on site

5.3 Costs of external review by PSRBs

156. As noted in section 2, there are a large number of PSRBs with many different roles and institutions engage with them in different ways²⁹. Institutions tend to regard PSRB engagement as “compulsory” and typically identify significant benefits from PSRB accreditation.

157. Calculating the costs of external review by PSRBs and the costs of data returns to PSRBs on an annual basis is difficult because while a statutory accreditation might be “compulsory”, it only affects those HEIs who offer programmes in the regulated profession. Within an individual institution, submission dates vary greatly as many PSRBs do not operate on a yearly cycle, but accredit or re-accredit every three, five or even 10 years.

158. Institutions take a range of approaches to PSRB accreditation visits. In some institutions the results of such visits are reported at institutional level to Senate or Academic Board or to the quality committee or equivalent. In other institutions, contact and discussion of outcomes from PSRB engagement appears to remain at a more local level, whether that was department, school, faculty or even course level. In many of these cases the results of the PSRB visit are reported through the institution's annual monitoring system.

²⁹ Higher Education Data & Information Improvement Programme (HEDIIP) publish an inventory of data collections which includes PSRB requirements at <http://www.hediip.ac.uk/inventory-of-he-data-collections/>

159. Preparation for visits by PSRB panels might be supported centrally by an institution or more locally by faculties or departments. In many cases, a register or schedule of accreditation visits is held centrally.
160. Given the range of PSRBs and their differing requirements, estimating the cost of external review is problematic. In response to our survey, 17 institutions (14 HEIs, one FEC and two APs) estimated the total cost of external review by PSRB. These institutions were accredited by between 1 and 15 PSRBs and estimated the total time involved in preparation for these visits at between 30 and 1,000 hours. We estimated an average time per PSRB visit at 75 hours. The estimated average staff cost per PSRB was therefore calculated at £3,000, with an average annual cost per HEI of £38,000 based on the estimated annual number of PSRB reviews³⁰.
161. Assuming that the experience of these institutions is representative of the sector, this would equate to an annual total cost of compliance with PSRB requirements for English HEIs of approximately **£5.0 million**. The relative cost would however be significantly greater for those institutions with significant volumes of accredited courses, and for those institutions working with the most costly PSRBs – for example the GMC and the Royal Veterinary College.
162. We do not have sufficient data to calculate an estimated cost for FECs, but by way of illustration, if each FEC with direct HEFCE funding ran HE programmes that were accredited each year by one PSRB at a cost of £3,000 per visit, this would equate to an annual total cost of compliance for FECs of **£609,000**.
163. Only a very small number of institutions (six HEIs from the 40 that responded to this part of our survey) reported incurring any additional non-pay costs in respect of PSRB accreditation and therefore we have not reflected these costs in the total. However, membership or subscription costs for PSRBs can be significant.

5.4 QAA reviewers

164. As noted in section 2, QAA reviews are carried out by teams drawn from a pool of more than 400 reviewers from universities and colleges around the UK. Most reviewers are academics. Some hold senior roles such as Vice-Chancellor, Principal or Pro-Vice-Chancellor. Some reviewers have retired recently from a university or a college and bring extensive knowledge and experience of HE with them. In relation to HER, the most recent analysis suggests that of 217 reviewers, some 148 are from HEIs (68%), 26 from APs (6%), and 35 from FECs (10%).³¹
165. The number of reviews of publicly funded HE conducted in 2013-14 and (at the time of writing) planned for 2014-15 and 2015-16 is as follows:
- 2013-14 – Number of reviews in HEIs and FECs in England: 47

³⁰ Based on a standard year of 220 days and 1,650 working hours and using a median salary for a senior lecturer in an HEI (extracted from HESA data) plus 25% on costs

³¹ Profile of QAA reviewers <http://www.qaa.ac.uk/en/AboutUs/Documents/QAA-reviewers-15.pdf>

- 2014-15 – Number of reviews in HEIs and FECs in England: 94
- 2015-16 – Number of reviews in HEIs and FECs in England: 90

166. We asked HE staff who were trained as QAA reviewers about their experiences and the time commitment involved.

HE staff undertaking QAA reviews

One reviewer noted that QAA guidance provided for an allowance lasting five days, but evidence suggests it takes much longer than this to go through the evidence base and draft the report sections for an HER. This was additional time which was not paid for by the review and which was normally undertaken in individuals' 'spare time'. The total time commitment would depend on the type of institution – with a large and complex institution requiring more time than others. The reviewer estimated that this would amount to at least an extra five days for a large institution.

One institution reported that they had four staff trained within the institution. Each one did no more than one to two reviews per year, with the time commitment being approximately five days per visit and one to two days of meetings. Preparation and report writing was predominantly in their own time.

Another institution confirmed that whilst the university allowed five days for the actual visit to be taken out of university time, up to another 10 days would be personal time.

167. Based on an average of five days per review allowed by the institution, and an average number of five reviewers per HER, the total number of days spent on HER in 2014-15 was therefore estimated at 2,350. The total number of days forecast to be spent on HER in 2015-16 was estimated at 2,250.

168. Using the proportion of reviewers working in each type of institution recorded on the QAA reviewer database we have therefore estimated that of the total number of days forecast to be spent on HER, 1,974 (84% of the total number of days forecast to be spent on HER) would be from those currently employed by institutions in 2014-15 and 1,890 (also 84% of the total days) in 2015-16.

169. Using average salary data³², we estimated that the total cost for HE providers in 2014-15 was therefore approximately **£730,000 (or £590,000 for HEIs)**, and in 2015-16 would be approximately **£700,000 (or £570,000 for HEIs)**. Where appropriate, these costs are included within our calculation of academic staff cost at section 4.2.

Summary

We have estimated the annual total cost of QAA review for the 130 English HEIs at £2.8 million (assuming that under the current cycle reviews take place every six years). For FECs, the total cost was estimated at £2.7 million.

³² Based on a standard year of 220 days and 1,650 working hours and using a median salary for a member of academic leadership in an HEI (extracted from HESA data) plus 25% on costs

In addition, many institutions incur costs from the accreditation visits of PSRBs. These vary enormously from institution to institution and between individual PSRBs. We have estimated the annual total cost for English HEIs at £5 million.

Using average salary data, we estimated that the total cost to HE providers in 2014-15 of time taken by staff to undertake HER was approximately £730,000 (or £590,000 for HEIs alone), and in 2015-16 would be approximately £700,000 (or £570,000 for HEIs).

6. Opportunity cost

6.1 What do we mean by opportunity cost?

170. Through our institutional visits, the costing survey and stakeholder workshops, institutions were asked to comment on the cost of missed business opportunities that arise from having to fulfil the requirements of the external quality assessment regime, in particular the expectations of the Quality Code or of PSRBs. In particular, we asked institutions to provide examples, where relevant, of the following:

- i. Missed business opportunities (e.g. partnership opportunities, new programme developments, different modes of delivery) resulting from the timescales for completion of quality assurance processes
- ii. Missed business opportunities resulting from a perception held by potential partners of onerous and/or burdensome quality assurance practices
- iii. Missed business opportunities resulting from the inability of current quality assurance practices and requirements to support and enable innovation
- iv. Are there any other opportunities that the institution did not pursue because of a perceived risk of non-compliance with the requirements of the quality assurance and assessment system? If so, please provide summarised details along with a description of the benefits that have been foregone

6.2 Examples of opportunity cost

171. In our discussions with senior management, quality professionals and academic staff at several institutions, many individuals noted told us they did not believe there were any examples of opportunities they had not taken that they would have wished to have done. This view was reinforced through our sector survey and through the stakeholder workshops. Some of the comments made by individuals included the following:

- *Have we ever walked away from an opportunity? I can't think of anything*
- *There is nothing we would have done that we didn't do*
- *We have not missed commercial opportunities but wasted some time. We could be more practical/pragmatic than we have allowed ourselves to be*

172. There were, however, a significant number of institutions able to identify such missed opportunities – although in most cases they found it difficult to put a financial cost to them. These fell into a number of broad areas:

- Research/scholarship time of academic staff was reduced by pressures to complete quality processes. This might have an impact on the number of publications academic staff were responsible for, the number of bids for research grants, on Research Excellence Framework (REF) submissions, and their ability to supervise postgraduate research (PGR) students, with a consequent impact on institutional reputation and funding. One institution commented that individual members of the academic staff “*won't have submitted a paper, gone to a conference, heard a viva or submitted a bid*”

- Options for working with another institution, often overseas, where quality considerations might prevent engagement with a particular partner or in a particular subject area
- Commercial opportunities missed, for example with employers where it was not possible to establish new courses or programmes within the requisite timescales
- Quality staff may miss opportunities to progress internal quality assurance and enhancement projects, for example during preparation for external review. This could include projects which may have a direct impact on improving the student academic experience

6.2.1 Impact of deferment and delay of approvals

173. We have highlighted some more specific examples from institutions below.

- One institution commented that it can take two years from first idea to having an agreed programme or course. They told us that *“If you do it fast track, you tend to get it wrong”*
- Several institutions reported that in the area of international collaborative partnerships there was a clear tension between quality control and the need for speed. Risk averseness was in some cases caused in part by a QAA report
- One computer science department wanted to run an intercalated year – which took two years to get approved. This might have resulted in a year of fees lost
- Another institution commented that *“Two years to get a programme up and running means we can’t respond quickly to markets – for example if an industrial partner was interested in putting a module on we would not be able to meet their timescales”*
- Another institution told us that they recognised the need to be faster to meet the needs of the market. However, as a small institution they did not have the resources to invest in systems and processes, so there were limits to what they could do. They identified a key programme that the academic unit did not consider fit for purpose in the current marketplace – but had been very slow to get changes approved through the university. This left the institution some 18 months behind the market. Although the potential costs of this are hard to estimate, this could for example mean that the institution effectively lost one year of a degree course. With 40 students paying £9,000 fees, the total lost income on a single programme could amount to £360,000, even if the programme recovered in subsequent years

6.2.2 Where HEIs had a forthcoming QAA visit

174. One of the main areas where institutions were able to identify opportunity costs was where they were preparing for HER. A number of comments were made through our institutional visits and the sector survey, but in the most part these pointed to delays in approvals or temporary slowdowns rather than any significant direct financial cost:

- *I can't think of a specific example where we've said we can't take that forward because of HER. But the people who would take forward opportunities are involved in HER preparations, reviewing processes, collating documentation. They're focused internally rather than externally. So, there are some things that we've temporarily stopped whilst we prepare for HER*
- *We were considering the introduction of integrated bachelors/masters degrees. We have had to put this on hold*
- *QAA and PSRB visits act as an inhibitor – they inhibit innovation in curriculum design. Ultimately, we don't want to do risky programmes: the reputation of the university is key*
- *We might defer some planning decisions, knowing we are going to be visited in 2016*
- *We want to be secure in the way our partnerships are developing. We informally 'suspended' (not formally) our approvals process for six months prior to review, primarily because the team were busy.*
- *We considered a temporary moratorium on increasing our international partners in the run-up to HER but decided against introducing this as the business opportunities were too good*

6.2.3 The view from FECs

175. Several FECs commented on the difficulty of ensuring new or revised programmes were progressed through the relevant awarding body and the potential opportunity costs of the resulting delays:

- *We wanted to partner with one of our awarding bodies to deliver a programme but their requirements are so onerous that we decided not to move forward*
- *There is an element of quality paranoia on the side of the awarding body (a concern about how they can ensure compliance with Chapter B10 of the Quality Code)*
- *You can't develop anything with an HEI any quicker than 18 months. This means we can't react quickly to employers' needs*

6.3 Survey results

176. Building on the results of our institutional visits, our survey of HEIs, FECs and APs sought to understand whether there were any patterns in this area.

6.3.1 APs

177. One of the APs that responded to the survey noted that there were no missed business opportunities that they were aware of. Another provider noted that the perceived risk of non-compliance with the requirements of the system meant that the institution did not pursue partnerships with lower quality or riskier providers. They commented that the

regulatory system helps avoid business pressure for shortcuts that would often lead to issues.

178. A third provider noted that they could not identify any potential opportunities that were not pursued for reasons of a perceived risk of non-compliance.
179. Overall, the alternative providers that responded to the survey noted that quality assurance was seen as positive rather than the opposite. 'Testing' potential opportunities against institutions' quality assurance requirements can help determine whether opportunities are appropriate.

6.3.2 FECs

180. Of the 14 FECs that responded to the survey, six identified some potential for missed business opportunities:
 - One FEC noted that they had experienced a one year delay in implementing a part-time pathway for HN Engineering in order to ensure quality assurance processes were correct
 - There was a reluctance to engage with further HEIs in the development of Foundation Degrees and top-up provision because of the financial costs of validation/re-validation, institutional approval and re-approval. As a result one FEC told us that it was more likely to use 'off-the-shelf' BTEC qualifications from other awarding bodies. Another had ceased to progress a specialist development with an HEI on a single programme even though that was an area of growth within the FEC
 - Another FEC noted that their main and recurrent problem was a constraint on their ability to respond promptly to the needs of employer partners caused by the elapse of time between programme conception and validation, during which the validating HEI carries out its quality assurance processes. This is further complicated by each validating HEI having its own particular validating time-frame
 - Another FEC expressed a frustration with the delay in the validation of additional modules to cater to specific businesses as a result of issues over delivery on employer's premises (high quality training rooms)
 - FECs expressed concern over the time taken for programme development by many HEIs. This is frequently over a two-year period. This is not a requirement of the Quality Code itself, but more commonly just the inherent business practices of the validating HEI. This has the result of FECs using available but standard HE programmes from national awarding bodies
181. By way of illustration, with tuition fees of £5,000, a one-year delay in approval of a programme might cost an FEC £50,000 to £75,000 in lost fees for a programme with 10-15 students.

6.3.3 HEIs

182. Of the 46 HEIs that responded to the survey, some 18 identified instances where business opportunities had been missed or innovation stifled. On the other hand, a number of institutions were very clear that quality assurance processes were not the reason why potentially lucrative opportunities were rejected. They reported that procedures were essential to safeguard the reputation of the institution and the experience of their students.

183. Instances of missed business opportunities or 'opportunity cost' identified were not always easy to categorise, but the majority were in respect of partnerships:

- Partnership opportunities had been lost, but mostly due to (i) results of due diligence (ii) legal barriers and (iii) UKVI issues rather than quality assurance barriers
- In building international partnerships between universities, academics on both sides might wish to develop a collaborative educational initiative, but sometimes did not do so because of anticipated problems in complying with quality assurance regulations and the harmonisation of these across countries. Whilst this would occur with internal quality assurance systems as well, the dangers associated with non-compliance with external quality assessment could cause staff to avoid risk rather than manage it
- There were often missed business opportunities associated with working with others owing to the length of time and level of bureaucracy associated with approving an arrangement
- Prospective collaborative partners have failed to understand the reason for a rigorous due diligence and have pulled out
- Partners had withdrawn from partnerships due to one institution's external examining arrangements (which they saw as an insult to their academic integrity)
- One institution noted that they were exploring the introduction of a joint undergraduate degree with an Australian university but this did not prove possible given the differences between their quality assurance requirements and those in the UK
- A proposed overseas partnership based heavily on distance learning did not proceed in part because the university felt that its systems for managing the quality of online provision required further development to meet the expectations of external quality assessment. The financial benefits that would have accrued are compensated by more robust quality assurance systems for future online developments
- Another institution reported that they had to push back by 12 months several new partnership opportunities as they had arisen too late during the academic year for them to be processed ahead of the start of the forthcoming academic year

- An institution reported having turned down a project worth approximately £1.6 million to the university because of a perceived risk of non-compliance with the quality assurance system
- One institution reported as many as six international partnership opportunities have been missed resulting from a perception held by the potential partners of onerous and/or burdensome quality assurance practices

6.4 Addressing the perceived risk of missed business opportunities

184. We discussed with institutions whether there were ways of limiting the impact of quality processes on these kind of business opportunities.
185. Several institutions told us that quality assurance requirements (or the perception of the burden associated with them) could create a risk-averse culture within which HEIs may be cautious in pursuing or inviting opportunities, new partnerships and so on, but that missed opportunities were not necessarily a result of the external quality assessment requirements themselves. In these circumstances, there was a need for institutions to work with staff to assure themselves that processes were not overly burdensome.
186. One institution reported that they had appointed two additional staff within the central quality unit to avoid any missed business opportunities. This therefore had a direct impact on the university's bottom line as opposed to any missed business opportunities.
187. Some institutions reported that they had developed a specific fast track mechanism for ensuring that they could respond quickly where demand warrants it. Where necessary, one institution told us, *"the university's business and academic approval processes can be adapted to respond to new partnership opportunities or in-year decisions taken by commissioners without sacrificing rigour"*. Another reported that that *"We have not missed business opportunities. If necessary, special meetings of a committee can be arranged, for example"*. Finally, another said that *"We would not allow this to happen. If we have to, we will 'fast track' our quality assurance processes"*.
188. This approach helps those institutions address the risk of delays caused by the need for opportunities to progress through the quality assurance system by ensuring additional flexibility and institutional agility to enable opportunities to be taken where appropriate.

Summary

Quantifying the cost of missed business opportunities is difficult. Although a majority of HEIs did not believe that they had missed any business opportunities as a direct result of the regulatory requirements of the broader quality assurance system, a number commented on the difficulty of ensuring processes were flexible and the consequent risks of displacement or deferment of approval for new business.

As many as a third of institutions did record some potential missed opportunities. The majority of these were in respect of international partnerships. Across the whole of the HE sector, this represents a large number of institutions and the costs or lost income involved may also therefore be potentially significant. For FECs, the majority of reported instances related to interactions with awarding bodies.

Appendices

Appendix A – Steering group

A steering group was established to guide this study of the costs of quality assessment and assurance activities. The group met three times during the study – at conception, review of emerging findings and review of findings.

Member	Organisation
Martyn Riddleston	University of Leicester
Bob Rabone	University of Sheffield
Professor Gill Nicholls	University of Surrey
Steve Egan	HEFCE (until 30 April 2015)
Susan Lapworth	HEFCE
Andy Beazer	HEFCE

Appendix B – What is TRAC?

TRAC was introduced in HEIs progressively from 1999-2000, to satisfy the Government's requirements for increased transparency and accountability for the use of public funds. TRAC is an Activity-Based Costing system and was the first sector-wide approach that sought to identify the full cost of key activities in institutions. The activities covered by TRAC are 'Teaching' (analysed into publicly and non-publicly funded), 'Research' (split between the main research sponsor types), and 'Other' (the other primary income-generating activities such as commercial activities, residences and conferences).

TRAC calculates the full costs of an HEI's operations through taking the income and expenditure from the annual accounts and adding two 'sustainability adjustments' to reflect the full costs of their activities. The first, an infrastructure adjustment, adjusts the depreciation charge on buildings (based on either historic cost or valuation in the financial statements) to an insurance-based replacement value to better reflect the full cost of maintaining the current infrastructure. The second adjustment is the return on financing and investment (RFI) which is intended to cover the surpluses required for rationalisation, updating and development of future productive capacity, including both physical and human infrastructure, and the costs of raising and servicing short-term borrowing. The RFI adjustment is calculated as a percentage of assets and a percentage of expenditure, net of actual financing costs.

A significant amount of income and expenditure can be identified directly against one of the activities referred to above. However there is also a significant amount of expenditure that cannot easily be attributed to one activity or another (e.g. academic salary costs, cost of running buildings etc.). In order to do this analysis a number of multipliers (known as drivers) are used that are derived from data collected within the institution. The most significant of these drivers is time spent on different activities by staff, but drivers related to student numbers, space and other factors are also used. In this way the TRAC process allocates all the costs of the institution, including those incurred within central service departments, between the activities referred to.

Information about time spent on different activities is collected by means of a Time Allocation Survey (TAS), a survey of staff time spent on university activities (Teaching, Research, Other income generating activities and Support) that is carried out at least once every three years in order to allow correct allocation of costs to activities for the annual TRAC return.

Staff are required to analyse their time into about 20 broad areas of activity. The activities include:

- Support and administration for Teaching (which itself includes work related to:
 - Admissions, schools liaison, interviewing prospective students
 - Teaching related committees and administration
 - Timetabling, examination boards, course prospectuses, widening participation
 - Course and programme development – initial development, where the future of the course is not certain
 - Subject and programme reviews

- Module review
- Pastoral support
- Operation and maintenance of equipment/systems related to teaching
- Writing books and other publications for teaching purposes
- Teaching activities, which include:
 - Preparing course material and delivery
 - Organising fieldwork or external placements for students
 - Supervising and training taught students in classes or projects
 - Other student contact time relating to educational matters
 - Setting, supervising and marking examinations and student assessments
 - External examining
- Research activities, which include:
 - Fieldwork, laboratory or studio work associated with a specific research project
 - Production of research papers, reports, books and other research outputs
 - Research project management
 - Supervision of research staff
 - Preparing or making a research presentation for a conference, seminar, society meeting or workshop, directly linked to research
 - Research collaboration – internal and external – on core research activities
- Research – support activities
 - Preparation of research funding bids
 - Reading literature to inform research activity
 - Refereeing papers and research grant applications
 - Advancement of knowledge and skills relating to research
 - Research related committees, except those specifically related to post-graduate research
 - Attending formal sessions at a conference, seminar, society meeting or workshop, directly linked to research activity
 - Research collaboration – internal and external – on research support activities
 - Block time in other institutions on research exchange schemes

Appendix C – Summary of quality assurance and quality assessment costing survey

This is a summary of results from the quality assurance costing survey, which three Alternative Providers, 14 FECs and 46 HEIs completed in March and April 2015 to seek institutional views on the key activities associated with quality assurance and quality assessment activities and on the main areas of cost that were identified from the separate institutional visits.

Survey responses were received from a wide range of institutions, and from a range of senior staff and quality-related professionals.

The results of the survey are summarised below.

Overall approach to quality assurance practices

Q1 Would you say that your quality assurance practices aim to meet or exceed the Quality Code requirements?

Of those that answered this question, the following numbers of institutions stated that their practices aimed to exceed the Quality Code requirements.

- 3/3 APs
- 17/46 HEIs
- 10/13 FECs

Q2 Please summarise the changes you would make to your quality assurance practices if you were no longer required to follow the Quality Code?

Of the 30 institutions that said their current practices exceeded the Quality Code requirements:

- Two out of three APs said that removal of the Quality Code would not reduce resources required
- One AP indicated that there would be some modest savings (up to 10%) around evidence retention and reducing the formal administrative framework, but that the underlying quality assurance practices and commitment to delivering to the Quality Code standards would remain in place
- Eight out of 16 HEIs that commented said that they did not believe removal of the Quality Code would reduce the overall level of resources required. Four told us that it would reduce the resources required by between 5% and 15%, and two told us that it would increase the resources required
- Three out of 10 FECs commented that removal of the Quality Code would increase the resources required. Seven said it would reduce the resources required

Some 29 HEIs and three FECs said that their current practices aimed to meet Quality Code requirements. Of those, some 18 HEIs indicated that if the Quality Code was no longer a

requirement, they could reduce the institutional resources required (mostly by between 5 and 10%).

For the 58 institutions that provided an estimate of the impact on costs of removing the Quality Code in our survey, the overall average saving was estimated at 3%, taking account of those that believed costs would increase or stay the same, as well as those who estimated a cost saving.

Q4 Do you need to carry out additional quality assurance processes to meet the needs of PSRBs

45 out of 62 institutions that responded to this question reported that they needed to carry out additional quality practices (39 HEIs, 5 FECs, and 1 AP).

Q5 Please summarise any changes you would make to your quality assurance practices if permitted by the PSRBs with which you work?

Almost all of those that commented noted that it would be helpful if PSRBs could place more reliance on institutions' internal quality processes as guided by the Quality Code. This would enable the volume of additional/duplicate procedure associated with professional accreditation to be reduced.

Q6 Do you plan to make a significant change your approach to quality assurance over the next 24 months? If so, what changes are planned and what is the driver for these changes?

25 institutions reported that they planned to make a significant change to their approach to quality assurance over the next two years. The majority of these were HEIs (19 out of 46), but two APs and four FECs also planned to make changes.

The majority of institutions that commented indicated that their planned changes included reviewing their academic governance framework, and/or reviewing their approach to programme monitoring and approval.

Governance arrangements

Q7 We have set out below what we consider to be the key elements of the governance arrangements in place in respect of quality assurance practices in the institution. How many meetings of the following committees are held each year and what is the size of membership on each group?

Details of the results of this question are included at section 4 in the main body of the report.

Q8 Please indicate if you have additional or different structures to those suggested above.

A number of institutions reported that they had structures which differed in some ways to the suggested structures but most institutions were able to recognise the descriptions of different committees and structures that we used.

Central quality office

Q9 Do you have a Central Quality Office or equivalent (for example part of the Academic Registry) which has responsibility for quality assurance policy and practices?

Yes: 61 of 63

Q10 Please provide an estimate of the number of staff FTEs who work in the central quality office or equivalent.

	1-5 Staff Members	6-15 Staff Members	16+ Staff members
AP	2	1	0
FEC	11	3	1
HEI	13	26	3
	26	30	4

Q11 Do the responsibilities of the central Quality Office or equivalent include oversight and coordination of activities that the institution undertakes in response to the requirements of the PSRBs with which you work?

Yes: 22 of 61

Q12 Where the administration of PSRB requirements is delegated to each academic area, do you consider this to be the optimal approach for administering PSRB requirements?

Yes: 47 of 55

Devolved structures

Q13 Please provide a description of the structure and hierarchy of the organisation's academic departments (academic faculties/colleges/departments/schools) including numbers at each level of hierarchy

A wide range of structures were reported, but are not listed here for reasons of brevity.

Q14 Do academic faculties/colleges/departments/schools have quality officers with specific responsibilities for quality assurance arrangements within the faculty/department/school (e.g. placement officers, departmental quality enhancement officers etc.)?

	No	Yes	N/A	Total
AP	2	0	1	3
FEC	11	3	0	14
Traditional University	10	35	1	46
Total	23	38	2	63

Q15 Please provide an estimate of the number of staff FTEs with specific responsibility for quality assurance arrangements in academic faculties/departments/schools.

For the 54 institutions that responded to this question (including those who responded that there were no such staff), the average number of FTEs was 7.6.

The average for the 36 HEIs that responded to this question (including those who responded that there were no such staff), was 10.1 FTEs.

Quality assurance activities of academic staff

Q16 What percentage of time do you estimate that each member of academic staff spends undertaking the quality assurance activities listed in the previous question?

Figure 6 shows what proportion of time HEIs believe their academic staff spend undertaking quality assurance activities as part of their daily work.

Figure 6. Proportion of time spent by HEI academic staff on quality assurance activities

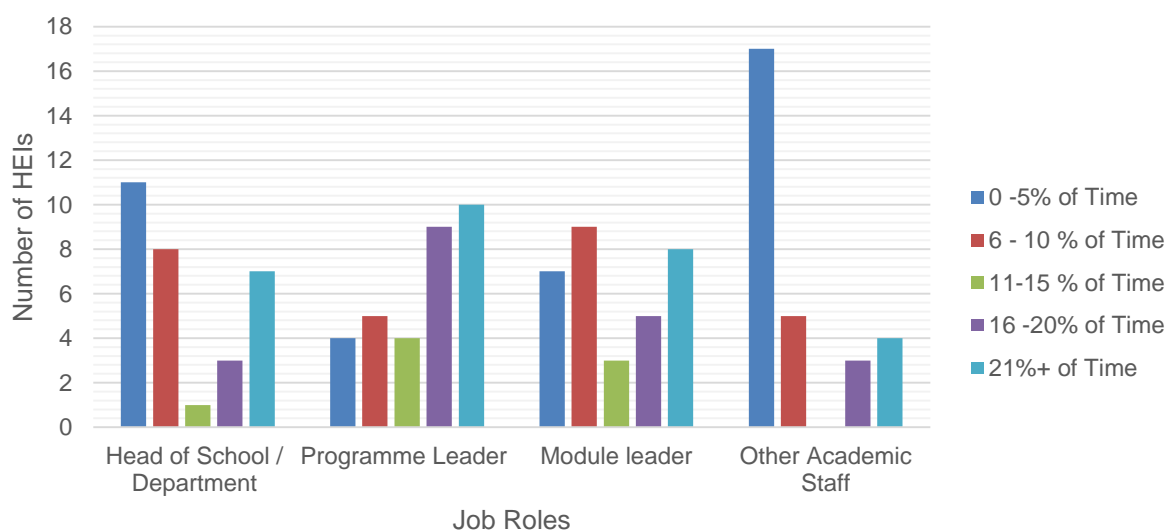


Figure 7 shows what proportion of time FECs believe their academic staff spend undertaking quality assurance activities as part of their daily work.

Figure 7. Proportion of time spent by FEC academic staff on quality assurance activities



Elements of the quality assurance process

Q17 We identified several key elements of the quality assurance process. If the Quality Code was no longer a requirement, please state whether would you undertake less work under the following headings to secure the standard of awards and the quality of the academic experience for students:

Table 9 sets out the responses to this question.

Table 9. Summary of impact on workload if the Quality Code was no longer a requirement

Key elements of quality assurance process	Overall		HEIs		FECs		APs	
	Same work	Less work	Same work	Less work	Same work	Less work	Same work	Less work
The design, approval and amendment of courses/ programmes	55	7	38	5	14	2	3	0
Module approval and amendments	55	7	38	5	14	2	3	0
Assessment and feedback to students	62	0	43	0	16	0	3	0
The operation of the external examining system	58	3	41	1	14	2	3	0
Annual monitoring and periodic review of programmes of study	50	10	33	9	14	1	3	0
The systematic collection of, and the response to, student feedback and complaints	61	1	43	0	15	1	3	0
The assurance of provision delivered in partnership (domestic and overseas)	53	5	39	4	11	1	3	0
Preparation of data returns and public information about higher education	44	18	33	11	9	6	2	1
Governance of quality processes	55	7	39	4	14	2	2	1

Modes and location of study

Q18 Do quality assurance practices and/or associated costs vary depending on the mode of study (e.g. part time, full time, sandwich or on line/distance learning?)

30 out of 61 institutions replied that the costs did vary depending on the mode of study.

Q19 For an undergraduate student, please indicate if the other modes of study take more or less time from a Quality Assurance perspective?

Of those institutions that answered this question, the majority considered that sandwich courses and online/distance learning took the most time from a quality assurance perspective.

	More than average time	Average	Less than average time
Sandwich Course	19	3	0
Online / Distance Learning	20	1	1

Q20 Are any additional quality assurance practices in place in respect of programmes delivered through alternative modes of study? If so, please detail.

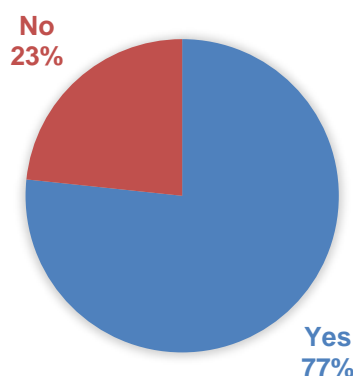
The majority of institutions that answered this question replied that there were additional practices in place:

- There are collaborative provision arrangements in place where partners review the programmes with other education bodies
- There are usually separate approaches given the different styles of programmes
- Experts for each programme are often brought in

Q21 Do quality assurance practices and/or associated costs vary depending on the location of study?

77% (46) of institutions that responded to this question agreed that practices did vary depending on the location of study.

Figure 8. Does location of study have an impact on quality assurance practices?



Q22 If so, please rank from most to least time and cost intensive, the quality arrangements of different locations of study

Institutional responses varied and are summarised in Table 10 below

Table 10. Impact of location of student on quality assurance practices

Location of study	Most/least time and cost intensive:
Home campus	Majority answered least time and cost
Off site in the UK	Mixed responses in the mid to most time and cost range
Overseas campus	Mixed responses in the mid to most time and cost range
In partnership in the UK	Mixed responses mainly in the middle of ranking
In partnership overseas	Majority answered most time and cost

Q23 Are any additional quality assurance practices in place in respect of programmes delivered through locations other than the home campus? If yes, please detail.

The majority of institutions that answered this question replied that there were additional practices in place. Most commonly this included annual senior review, which included visiting the overseas sites.

Q24 Do quality assurance practices require additional input for some groups of students e.g. WP, students progressing from partners, students with different entry requirements)?

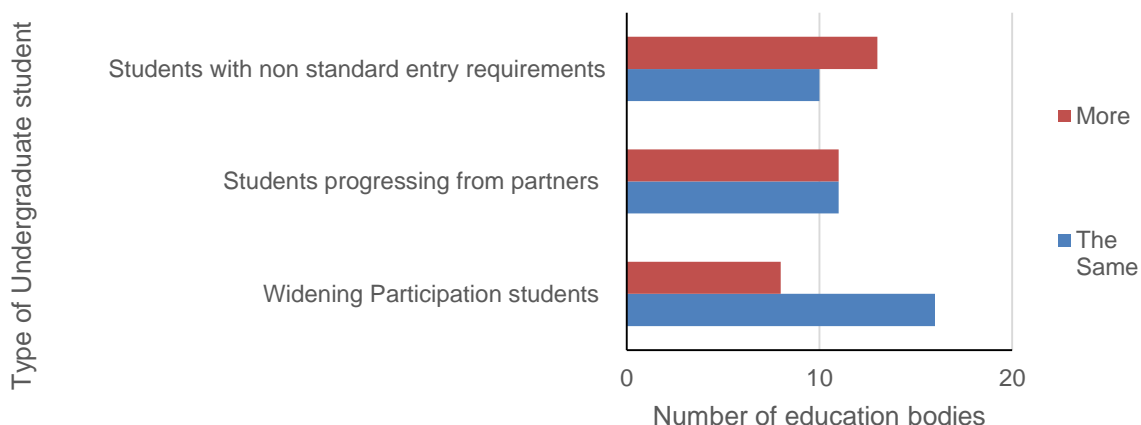
Yes: 23

No: 37

Q25 For an undergraduate student, please indicate if particular groups of students take more or less time from a Quality Assurance perspective?

Students with non-standard entry requirements were considered to have the largest impact on the time taken from a quality assurance perspective. See Figure 9.

Figure 9. Additional Quality Assurance input for certain types of undergraduate student



External review – QAA

Q26 Please indicate how long it has been since the institution last had an institutional audit, higher education review or other inspection/visit by the Quality Assessment Agency.

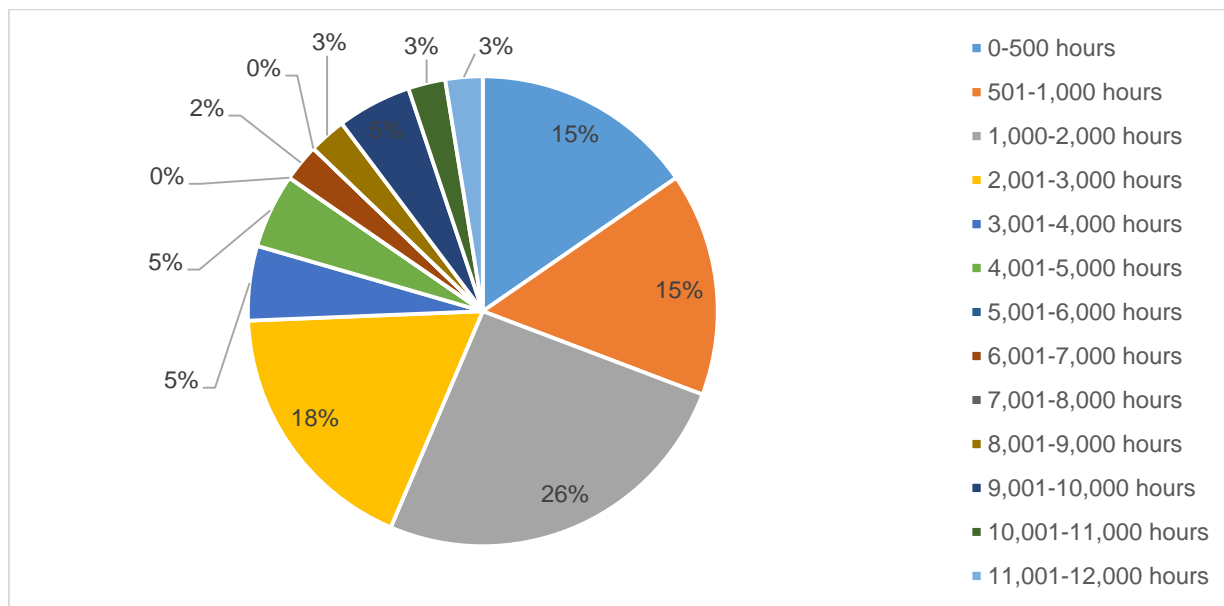
For the institutions that responded to the survey, 37% had an external review in the past two years.

Time since most recent review	Number of institutions
Less than 12 months	17
Less than 2 years	6
Less than 3 years	14
More than 3 years	24

Q27 Please estimate the total staff time spent in preparing for the most recent visit and during the visit itself

Of those that responded to the survey, 50% of HEIs estimated total hours at 2,000 or less, and 79% estimated total hours at 5,000 or less. 70% of FECs estimated total time at less than 1,650 hours.

Figure 10. Estimated total staff hours preparing for and during the most recent QAA visit – proportion of institutions



Q28 Did the institution recruit additional specialist staff prior to the visit, for the period of the visit or in the aftermath of a visit? If yes, please state FTE.

18 institutions reported that they had recruited additional staff prior to the visit, for the period of the visit or in the aftermath of a visit (see Figure 11). Figure 12 sets out the proportion of those institutions recruiting particular numbers of staff.

Figure 11. Recruitment of specialist staff

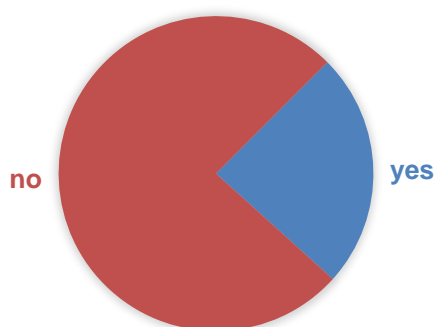
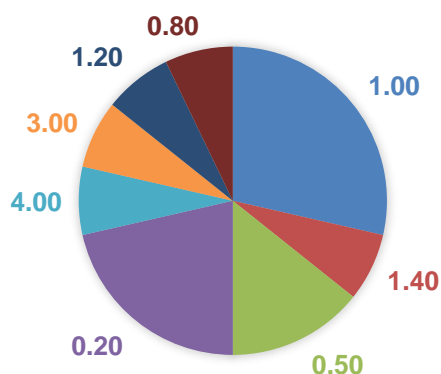


Figure 12. Proportion of institutions recruiting particular numbers of FTEs (annualised)



Q29 Did the institution incur other direct (non-staff) costs in preparations for the review?

We also asked institutions to detail any suggestions they had for reducing the cost/burden of external review by the QAA. These are reflected in the main body of the report (see section 5).

External review – PSRBs

Q30 Approximately how many PSRBs accredit the institution's programmes?

Of the 40 HEIs that responded to this question, 28 reported that 15 or more PSRBs accredited their programmes. The remainder reported between 1 and 15 PSRBs accredited their programmes.

In respect of FECs, 9 of the 12 institutions that responded reported that they had between 1 and 5 PSRBs accrediting their programmes. One had more than 15 and one none.

Each of the 3 AP respondents reported that they had between 1 and 5 PSRBs accrediting their programmes.

We also asked institutions whether these PSRBs required monitoring returns to be provided, and institutions confirmed that in most cases returns were required either annually or at intervals of every two or three years.

Q31 Has the institution had an inspection/audit/review by any professional, regulatory or statutory bodies in the past 24 months?

A total of 38 out of the 40 HEIs that responded had monitoring visits in the last two years. Similarly, all APs had monitoring visits in this period.

A smaller proportion of FECs reported that they had inspection or review in the last two years.

Q32 If so, please estimate the total staff time spent in preparing for the visit(s) and during the visit itself.

17 institutions (14 HEIs, 1 FEC and 2 APs) estimated the total cost of external review by PSRBs. These institutions were accredited by between 1 and 15 or more PSRBs and estimated the total time involved in preparation for these visits at between 30 and 1,000 hours. The average time per PSRB was therefore estimated at 75 hours.

Q33 Did the institution incur other direct (non-staff) costs in preparations for the review?

A total of six HEIs reported that they incurred other direct costs in preparations for such reviews.

Business developments

Q34 Opportunity costs

We asked institutions to provide examples of the following (if any):

i. Missed business opportunities (e.g. partnership opportunities, new programme developments, different modes of delivery) resulting from the timescales for completion of quality assurance processes.

ii. Missed business opportunities resulting from a perception held by potential partners of onerous and/or burdensome quality assurance practices

iii. Missed business opportunities resulting from the inability of current quality assurance practices and requirements to support and enable innovation

We also asked whether there were any other opportunities that the institution did not pursue because of a perceived risk of non-compliance with the requirements of the quality assurance and assessment system.

APs

Two of the APs that responded to our survey told us there were no missed business opportunities that they were aware of or no potential opportunities that were not pursued for reasons of a perceived risk of non-compliance. They considered their processes were sufficiently flexible to be able to take advantage of appropriate opportunities.

Another reported that the ability to move quickly had been lost and therefore there was an increased risk of missed opportunities.

FECs

Of the 14 FECs that responded to the survey, six identified some potential for missed business opportunities. A number of these instances related in part to university partners – either a reluctance on the part of FECs to engage with additional awarding bodies whose processes/requirements might be different, or the elapsed time between programme conception and validation, during which the validating HEI carries out its quality assurance processes.

HEIs

Of the 45 'traditional' HEIs that responded to the survey, most indicated that they could not identify any opportunities that they had rejected.

Just over a third identified some instances where business opportunities had been missed or innovation stifled. Commonly, these related to international or other collaborative partnerships where risk was perceived to be higher.

A number of institutions were very clear that quality assurance processes were not the reason why potentially lucrative opportunities were rejected. They reported that procedures were there to safeguard the reputation of the institution and the experience of their students.

Other costs

Q35 Have you purchased any goods or services (including capital items) in the past 12 months to support the delivery of the institution’s quality assurance practices (this could include, although not limited to, new systems, software, external consultancy)? Please provide details.

46% of institutions reported that they had incurred some additional costs on quality assurance processes. Of those institutions that did incur additional costs, the costs were in the areas shown in Figures 13 and 14 below.

Figure 13. Additional costs incurred

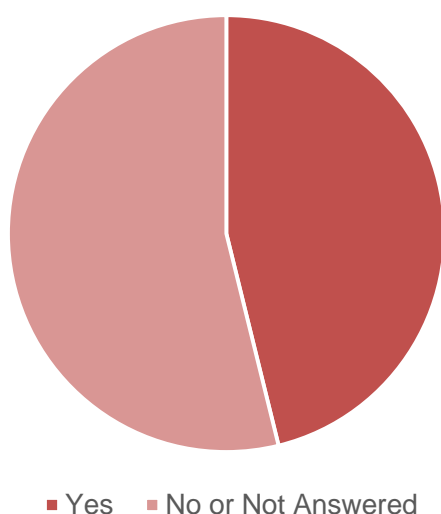
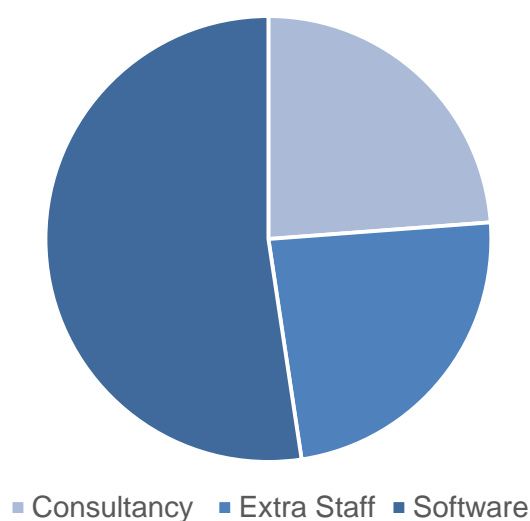


Figure 14. Distribution of non-pay expenditure



Overhead costs for quality assurance

Q36 Do you agree that external quality assurance requirements do not have a material impact on the costs of central support services and other overheads (e.g. IT Costs, Premises costs, Legal Services, Human Resources, Finance etc.) that are incurred by the institution?

27 institutions agreed with this statement and 35 institutions reported that quality assurance requirements did have a material impact on the costs of central support services and other overheads.

Appendix D – Glossary of terms

AP	Alternative Provider
DLHE	Destination of Leavers in Higher Education
FEC	Further Education College
fEC	Full Economic Cost
FTE	Full Time Equivalent
GMC	General Medical Council
HE	Higher Education
HEFCE	Higher Education Funding Council for England
HEI	Higher Education Institution
HEIFES	Higher Education in Further Education Survey
HER	Higher Education Review
HESA	Higher Education Statistics Agency
IRENI	Institutional Review of higher education institutions in England and Northern Ireland
KIS	Key Information Sets
MAA	Memorandum of Assurance and Accountability
NHS	National Health Service
NSS	National Student Survey
OIA	Office of the Independent Adjudicator
QAA	Quality Assurance Agency for Higher Education
PGR	Postgraduate Research student
PSRB	Professional, Statutory and Regulatory Bodies
RCHE	Review of College Higher Education
REF	Research Excellence Framework
RFI	Return for Finance and Investment
SLC	Student Loans Company
TAS	Time Allocation Survey
TDAP	Taught Degree Awarding Powers
TRAC	Transparent Approach to Costing
UKVI	United Kingdom Visa and Immigration