

Efficiency and effectiveness in higher education:

A report by the Universities UK Efficiency
and Modernisation Task Group



Universities UK

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Foreword

This report comes at a crucial time for higher education. Institutions in England will be managing the transition to a new funding environment, and across the UK we will all be facing increased pressure to demonstrate efficiency and effectiveness, and above all that we are providing value for money.

The strength of the higher education sector comes from its ability to adapt and this report shows that there is an acute understanding of the need to act and that significant progress in relation to efficiency is being made. In the course of this work we have found many innovative approaches to efficiency, which are not only making savings, but enhancing the effectiveness of what institutions are delivering across all of their activities. The sector has been remarkably good at hiding this progress. We have highlighted many examples in the report, but it will be important that this is promoted more widely.

Despite this progress there are a number of areas for improvement. We need better data on our operational costs that can provide the information needed to develop new initiatives. Shared services are often heralded as the solution to efficiency in higher education, and there is certainly scope to do better in this area, but prior simplification and standardisation presents real opportunities for doing things more effectively. Strategic relationships with the private sector are being developed and providing real value and the opportunities this presents need to be exploited further. Significantly, higher education is a large sector and it is clear, particularly in England, that we are not realising the potential of this collective purchasing power to generate the kind of savings we should be able to demonstrate.

This report sets out a strategy for action and identifies how the higher education sector can lead change across these areas. UUK is committed to lead the implementation of these proposals and a detailed action plan will be produced. Effective monitoring of progress will of course be essential.

I'd like to thank members of the Task Group for the outstanding input provided and the commitment they have made to this work. I'd also like to thank everyone that has contributed during the course of the work. I have enjoyed the many stimulating and enlightening discussions which have reinforced my strong belief that we work in a sector made up of highly professional and very committed people.

Professor Ian Diamond

Chair, Universities UK Modernisation and Efficiency Task Group

Principal and Vice Chancellor University of Aberdeen

Executive summary

Effectiveness, efficiency and value for money are central concerns for the higher education sector. In England, decisions made by the current Government will effect a radical change in the funding for teaching. Institutions will be managing a reduction in public funding for teaching and the transition to the new system of graduate contributions, and at the same time these changes will bring with them enhanced student expectations and competition. Future funding models across other parts of the UK will differ from those in England, but the pressure to proactively manage costs and demonstrate value for money will nonetheless be present in equal measure.

This report finds that significant progress is already being made in this area and that there is an acute understanding of the need to act within the higher education sector that is closely linked to the emergence of a new funding environment. This progress is not always acknowledged, but at the same time there is substantial scope to achieve further cost savings and embed a continuous commitment to efficiency. Drawing on evidence from within the sector, and lessons from the wider public and private sectors, this report makes a series of recommendations of action that can help the sector realise this potential.

The approach outlined in this report is not simply about proposing how institutions can find short-term savings. Instead it looks at efficiency as part of a wider strategic objective to enhance the effectiveness of institutions and ensure they continue to deliver high quality teaching and research.

The higher education sector is made up of largely autonomous institutions that are becoming less reliant on public sources of funding. Indeed, it is from this autonomy that the sector derives its strength and ability to adapt. This does not, however, mean that the necessary change cannot be brought about. As well as highlighting current good practice, this report focuses on identifying those areas where more effective or sector-wide approaches to efficiency might be necessary in order to overcome duplication or fragmentation, and how this can be brought about through strengthened leadership both at institutional and sector level. The development of proposals for transparent and effective monitoring and evaluation of progress has also been important.

This report has been produced by the Efficiency and Modernisation Task Group, set up by Universities UK and chaired by Professor Ian Diamond, Principal and Vice-Chancellor of the University of Aberdeen. Key findings include:

- Information on the costs of operational activities within higher education is poor. This means it is difficult for institutions to effectively calculate the benefits of efficiency initiatives and demonstrate more widely how they are ensuring value for money. It is proposed that this data is improved and made more transparent. Better data will strengthen the use of benchmarking as a tool for driving efficiency.
- In a sector which is made up of largely autonomous institutions, benchmarking is a vital tool for driving efficiency. However, current practice is piecemeal and fragmented and a more strategic national framework for taking this forward is proposed.
- Shared services are often held up as an 'off the shelf' solution for efficiency, but if their potential is to be fully realised in higher education then simplifying, streamlining and improving internal processes needs to be a priority.
- Building on prior simplification and standardisation, more can be done on shared services, but VAT remains a barrier.

- There is significant potential for outsourcing and the development of strategic relationships with the private sector to deliver services.
- The full potential of the sector to use its size and purchasing power to generate additional savings has not yet been realised, particularly in England. A more strategic coordination of higher education procurement is proposed, along with challenging targets.
- There is much good practice in the sector, but it needs better dissemination.
- There are a number of areas where regulatory reform can help reduce costs associated with compliance and facilitate increased efficiency.

Summary of recommendations

Transparency, benchmarking and the use of data

Recommendation 1: Better data on costs of operational functions should be developed. This will increase transparency around the costs of these activities and provide useful information to support benchmarking.

- In the first instance relevant professional and representative bodies in human resources, finance, ICT, procurement, estates, and student services should work together, and with the Higher Education Statistics Agency (HESA), to identify data on service functions that already exist in the system. From this a series of high-level metrics, aggregated to agreed levels, should be published which can demonstrate how the sector is making progress on savings in these areas. These measures could replace data currently collected by the Higher Education Funding Council for England (HEFCE) under the Efficiency Reporting System, which is due to end with the completion of the CSR07 period. Building on this work, HESA should look to develop a consistent approach to collecting this data. The work proposed here should link in with proposed review of the Transparent Approach to Costing (TRAC) to ensure that the evolution and use of TRAC can support this process. The Financial Sustainability Strategy Group should oversee the development and monitoring of this data, which would also inform the reporting and monitoring undertaken by the proposed UUK efficiency panel in Recommendation 16.

Recommendation 2: Effective benchmarking is central to driving efficient operation in the higher education sector. Significant progress has been made, but initiatives are fragmented and at varying stages of development. A more strategic sector-wide approach is needed and the following actions are proposed to coordinate and strengthen the development of benchmarking in support of efficiency:

- There are currently a number of financial and efficiency benchmarking initiatives within the higher education sector. Universities UK, working closely with HESA, should take a strategic overview of this work and seek to ensure that further benchmarking initiatives are supported through a common framework (for example, by ensuring common data needs can be met). This would also involve developing generic tools and approaches that can be adapted by institutions or groups of institutions, and where appropriate facilitate benchmarking with other sectors. The development of a common framework for efficiency benchmarking in higher education should also seek to provide guidance on the link between costs and outputs, so that institutions can measure the services delivered against the costs of delivery.
- As part of Universities UK's role in developing a common framework for efficiency benchmarking it should also provide the sector with guidance and clarity on the implications of competition law for the development of benchmarking in a changing higher education funding environment.
- Concerns have been raised that data in the sector on commodity costs is not robust enough to assist in benchmarking effective procurement. As part of the developments proposed above, the British Universities Finance Directors Group's (BUFDG) executive group, the Association of University Procurement Officers (AUPO), should take the lead in looking at how better data on the costs of commodities can be developed and used within the higher education sector.

Process improvement, simplification and standardisation

Recommendation 3: A prerequisite for developing shared services and delivering optimum performance is having streamlined internal processes. The Task Group therefore recommends that institutional leaders continue to prioritise streamlining and standardising internal administrative and operational processes. Evidence of sector-wide developments in this area, building on the work commissioned for this report, should be included in the reporting of the UUK efficiency panel and made available through the proposed efficiency hub (see Recommendation 6) to facilitate the sharing of good practice.

Recommendation 4: Higher education institutions should ensure that they take a long-term view when looking to implement efficiency initiatives, and activity should be embedded within wider institutional strategies. In particular, efficiency initiatives should always be seen in the context of maintaining the effectiveness and quality of UK higher education. All institutions should ensure they have in place a structured programme approach which brings efficiency initiatives together in order to focus on institutional benefits and reduce duplication and overlap.

Recommendation 5: Institutions should always base decisions on where to develop efficiency initiatives on costed and robust business proposals so that the benefits can be clearly evidenced.

Support for institutional change

Recommendation 6: The Task Group notes that there are a wide range of services already available that can support institutions to develop more efficient working practices. There needs to be a mechanism for identifying and locating these, an 'efficiency hub' web space to promote services available within the sector that can signpost good practice and highlight innovative developments. To ensure that this space remains dynamic and up to date there will need to be buy-in from institutional leaders, who can promote the service within their institutions. The Task Group recommends that UUK, HEFCE, the Joint Information Systems Committee (JISC) and the Leadership Foundation for Higher Education (LFHE) work together to discuss how such a facility should be developed and funded. The development of this could be overseen by the proposed UUK efficiency panel.

The development of shared services in higher education

Recommendation 7: Building on the work HEFCE has already done to support shared services in the sector, further guidance should be developed which identifies a series of 'non-competitive' areas where more extensive sharing of operational services can be developed and promoted. This work could be taken forward by HEFCE and UUK.

Recommendation 8: The Task Group recommends that institutions preparing to collaborate with others to deliver services should also consider options for partnership outside of the sector – such as with other public sector bodies – where this is appropriate. The efficiency hub proposed in Recommendation 6 should help the sector to identify opportunities outside of higher education.

Recommendation 9: The Government should implement the EU VAT exemption on cost sharing, and work with the sector to develop mechanisms that can incentivise the development of shared services. The recent HM Treasury consultation on the EU VAT exemption was a positive step. BUFDG should continue to lead on providing robust evidence to this process.

ICT and efficiency

Recommendation 10: Developing and implementing new ICT systems and facilities can play an important role in reducing energy costs and lowering carbon emissions, with energy savings from more efficient ICT solutions (including outsourcing) having a considerable impact. The Task Group recommends that institutional leaders explore ways to incentivise such developments where they support improved quality and services. The Task Group would also support the development of a good practice guide developed in collaboration between the Association of University Directors of Estates (AUDE), BUFDG and the Universities and Colleges Information Systems Association (UCISA).

Outsourcing to support institutional change

Recommendation 11: The Task Group notes that there are significant opportunities for institutions to employ outsourcing to deliver efficiencies and improve service quality, particularly (for example) in aspects of ICT provision and student accommodation. The Task Group recommends the following:

- Institutions should ensure that partnership approaches to outsourcing are considered as a normal part of their strategic planning.
- Institutions should focus on the development of management systems, procurement expertise and vendor management skills to get the most from outsourcing opportunities. In the medium term, LFHE and the proposed Academy for Procurement in Higher Education, noted in Recommendation 12, should work to establish a good practice framework and training programme to help institutions ensure they have appropriate capacity and capability in this area.

Procurement as a strategic asset

Recommendation 12: Developments in Scotland demonstrate the potential that can be realised from effective procurement. There have also been significant and positive developments in collaborative procurement in England in recent years, with a move toward more joined-up activity and thinking. However, the full potential of the sector to use its size and purchasing power to generate additional savings has not yet been realised. The Task Group therefore recommends the following:

- The Strategic Procurement Group (SPG) should be reconfigured to provide high-level leadership and strategic coordination for the development of procurement across the English, Northern Irish, Scottish and Welsh higher education sectors. This group should be established by spring 2012 and hold a first meeting by summer 2012. This will be led by UUK, in collaboration with the national procurement bodies of England and Northern Ireland, Scotland and Wales. The group should have a senior-level membership with a vice-chancellor as chair, and include expertise from the public and private sectors.
- A minimum target of 30 per cent of non-pay spend – to be addressed through effective collaborative arrangements – should be set for the English higher education sector, to be achieved within five years (this currently stands at around 10 per cent). This objective should be monitored and directed by the reconstituted SPG and increased over time where this is appropriate.

- The relevant sector bodies should work together to establish a model for England based on the Advanced Procurement for Universities and Colleges (APUC) in Scotland. English National Procurement (ENP) provides a good basis for developing this and ENP should, in consultation with the regional purchasing consortia, develop a rigorous action plan and time-line for how this objective could be achieved. This objective should be monitored and directed by the reconstituted SPG.
- The Task Group supports the proposal to establish an Academy for Procurement in Higher Education. This will serve to enhance expertise and capacity within the sector. This should be a medium-term objective to be taken forward by AUPO and the Chartered Institute of Purchasing and Supply (CIPS), in collaboration with the reconstituted SPG.

Recommendation 13: The Task Group recommends that the Government clarifies the proportion of graduate contributions that will be considered public funding.

Effective regulation

Recommendation 14: The Task Group recommends that the HEBRG estimate the costs of regulation to the higher education sector. The first estimates should be available by spring 2012 and should be part of an ongoing monitoring process.

Recommendation 15: The Task Group is concerned by the costs of FoI compliance to the higher education sector. The opportunity presented by Post-Legislative Scrutiny should be taken to instigate a programme of work to help understand these costs. This will provide an evidence base from which government can make informed decisions regarding any changes that need to be made in this area. This should be taken forward by UUK.

Monitoring and next steps

Recommendation 16: Progress against the objectives described in this report should be regularly monitored at a national level. Universities UK should establish a high-level efficiency panel, which would include expertise from outside of the higher education sector, to regularly evaluate progress against the recommendations in this report and the associated implementation plan. This would include publishing a brief annual report summarising activities and progress against established objectives. The panel should also advise on further policy interventions and actions that would need to be put in place to ensure a continuous commitment to efficiency is embedded within the higher education sector.

Recommendation 17: The Task Group recommends that work on efficiency in academic practices and processes should be developed as a second phase to the recommendations outlined in this report.

1. Introduction

Aims and objectives

The UK has the second strongest higher education system in the world and our country's future economic strength will more than ever depend on the growth and competitiveness driven by our world-leading universities. The strength of the UK higher education system has been underpinned by its flexibility and responsiveness within a fast changing global environment, leading to innovation across all activities and ensuring effectiveness in operation and delivery. Indeed, UK higher education has been highly successful to date in sustaining its global standing with significantly less investment (both public and private) than our competitor countries.¹

Within the context of a changing economic and funding environment across the UK, the focus on effectiveness, efficiency and value for money will only increase. As it does so, it will also present new challenges and opportunities for institutions. In England, decisions made by the current Government will effect a radical change in the funding model for higher education. Institutions will be managing a reduction in public funding for teaching and the transition to the new system of graduate contributions, and at the same time these changes will bring with them enhanced student expectations and competition. Although the decisions about future funding models in Scotland, Northern Ireland and Wales differ from those in England, the pressures to bring down costs and demonstrate value for money will nonetheless be present in equal measure.

Within this changing environment institutions are already reviewing their effectiveness and how more efficient operation can support this, but there is scope for greater progress to be made. This report highlights progress made to date, and examines the potential to enhance effectiveness through more efficient operation and what needs to happen to bring this change about. Although this report explores a broad set of issues, the main focus is on institutions' operational functions.² It is important to note from the outset, however, that this work is not about diminishing these crucial functions, or looking at them in isolation from the wider role and activities of institutions.

As this work developed the Task Group felt it important to continue to recognise the importance of institutional autonomy, and the fact that we have a diverse and thriving sector. In addition, a key guiding principle has been to ensure that efficiency is seen as part of a wider strategic objective to enhance the effectiveness of institutions and ensure they continue to deliver high quality teaching and research, rather than simply to find mechanisms for short-term cost savings.

Approach and methodology

This is the report of a Task Group set up by Universities UK. The Group consisted of vice-chancellors, a representative from the private sector, and representatives from all of the major operational functions within institutions. The work has also been supported by a sub-group of experts. Details of membership and Terms of Reference of these groups can be found at Annexe A and Annexe B. Discussions within the Task Group have also been informed by extensive consultation with the sector and with key public and private sector stakeholders. A full list of those who have informed or contributed to this work can be found at Annexe E.

1 UUK (2010) *Submission to the 2010 Spending Review* London: UUK

2 This covers areas often termed 'back office', which includes, for example, human resources, finance, ICT and procurement.

Supporting evidence developed in the course of this work is listed at Annexe D and will be made available on the efficiency pages of the Universities UK website. The Task Group will meet one further time following the publication of this report to discuss and agree a detailed action plan that will provide further detail on how the recommendations outlined in the report should be taken forward, coordinated and evaluated.

The Task Group would like to thank all of those who have contributed the development of this report, and the HEFCE Leadership, Governance and Management Fund for providing the funding that supported the development of the underpinning evidence base.

2. Background

2.1 The performance of the UK higher education sector

Any discussion about the effectiveness of UK higher education must start with understanding what the sector produces, and how the system compares with our global competitors. The contribution higher education makes to the UK economy³ cannot be in doubt, given that the sector:

- generates over £59 billion of output for the UK economy
- creates over 660,000 jobs
- delivers more than £5.3 billion in exports

In terms of output (GDP or gross value added), universities rank second only to computing in the UK economy. Analysis shows that for every £1 million spent on the university sector, this produces £2.5 million output, creates 28 jobs, and a gross value added of about £1.35 million. The sector not only plays a significant role in the UK economy but also performs well on the international stage and is regarded as one of the most competitive higher education sectors in the world. The UK has long been one of the most popular destinations for international students, with around 369,000 EU and international students in UK universities.⁴

The research performance of UK higher education is also outstanding. In terms of research productivity the UK has the sixth highest number of publications per 1,000 inhabitants; and these publications are of a high quality, measured by the average number of citations (ISI citation index of 5 on an average of 3.55).⁵ In 2010, it was reported that the sector:

- undertook five per cent of global research
- produced 12 per cent of world citations
- generated over 14 per cent of the world's most highly-cited papers

Importantly, this level of internationally-renowned scholarship is produced more efficiently than most of our competitors, with the UK ranked first out of the G8 nations in terms of publication productivity, and generally having greater outputs per researcher and per unit of investment than similar sectors.⁶ With just one per cent of the global population, the output of the sector is therefore impressive and we continue to 'punch well above our weight', as David Willets, Minister of State for Universities and Science, put it in September 2010.⁷

3 UUK (2009) *The impact of universities on the UK economy – 4th report* London: UUK. Note that the figures presented here are a conservative estimate.

4 Figures available at: <http://www.international.ac.uk/statistics/index.cfm> [accessed 18 April 2011]. This represents approximately 13% of all students educated outside of their home country.

5 St Aubuyn M, Pina A, Garcia F, Pais J (2009) *Study on the efficiency and effectiveness of public spending on tertiary education: Economic papers 390* Brussels: European Commission

6 UUK (2010) *The future of research* London: UUK (based on BIS/OECD figures)

7 David Willets <http://www.timeshighereducation.co.uk/world-university-rankings/2010-2011/analysis-uk-education.html> [accessed 18 April 2011]

2.2 The comparative effectiveness of the UK higher education sector

There is no single or generally accepted national metric to objectively quantify the effectiveness of the sector, mainly due to the diverse nature of higher education activity and outputs. However, according to data compiled by the European Commission⁸ on the effectiveness and efficiency of public spending on tertiary education, the UK system was found to be the most efficient out of 28 countries studied for both teaching and research.

That study found that efficiency is correlated to features which are prevalent in the UK system, such as evaluation by stakeholders and/or independent agencies, and high levels of autonomy in the areas of recruitment and human resources strategy. The UK scored highest on both of these measures.

The Tripartite Advisory Group (TAG), comprising the Scottish Further and Higher Education Council (SFC), Scottish Government and Universities Scotland, produced a report⁹ which concluded that although no one indicator can provide a definitive measure of the efficiency of the Scottish system, Scotland performed well in terms of the indicators examined.

2.3 The challenge to sustaining our position

In spite of this strong position, it is clear that there are significant (and ever-increasing) challenges to the position of the sector in the global market. Recent experience has shown that, in response to the economic crisis, comparable western economies have increased public investment in research and development and higher education, with France (€19 billion), Germany (€18 billion) and USA (\$21 billion) providing notable responses.¹⁰

Investment in higher education in the UK has been below that of many of key competitors for a number of years, with the latest available figures showing that investment in 2007 remained at the same level as the previous year – 1.3 per cent of GDP. This is lower than the OECD average (1.5 per cent in 2007) and means that total investment is lower than in competitor countries such as the USA (3.1 per cent), Canada (2.6 per cent), Australia (1.5 per cent), Japan (1.5 per cent) and France (1.4 per cent). In addition to this relative lower investment, emerging economies are expanding the scale, scope and quality of their higher education provision significantly and are expected to become key players.¹¹

Whilst the Government's commitment to sustain investment in research, and the recent reforms of teaching funding in England, will help to sustain the UK's position, the sector is going to have to ensure it gets the most from the investment that is available from all sources.

8 St Aubyn M, Pina A, Garcia F, Pais J (2009) *Study on the efficiency and effectiveness of public spending on tertiary education: Economic papers 390* Brussels: European Commission. The report is unequivocal about the status of the UK higher education system as the most effective to be examined.

9 Tripartite Advisory Group (TAG) on higher education in Scotland (2010) 'Efficiency and Effectiveness of Higher Education Institutions'

10 Universities UK (2010) *Submission to the 2010 Spending Review* London: Universities UK pp. 20-21. Figures presented in the currency of each country listed.

11 See <http://www.timeshighereducation.co.uk/world-university-rankings/2010-2011/analysis-brazil-russia-india-china-performance.html>

2.4 A responsive and effective sector

A study commissioned to support the Task Group's work¹² proposes that the sector has, over time, become more strategic and efficient in all its activities, from becoming increasingly sensitive to the financial viability of courses on offer and of types of research undertaken, to implementing complex organisational transformation initiatives and developing increasingly entrepreneurial approaches to working with the private sector. To date the sector has also implemented a number of successful shared service initiatives such as the JISC, the Universities and Colleges Admissions Service (UCAS) and numerous procurement consortia.¹³

Many institutions have at least some outsourcing experience, and typically have outsourced generic services such as catering and cleaning. Also many have successfully launched new types of commercial vehicles to engage in commercial activities or to provide more efficient mechanisms for delivering services such as student accommodation and sports facilities.

To date, the higher education sector in England has made significant headline savings, which have either been managed as efficiency savings or taken the form of in-year cuts to previously agreed allocations. Over the Comprehensive Spending Review periods CSR04 and CSR07, the English higher education sector has delivered savings in areas including procurement and better use of ICT. Figure 1 below illustrates that the English sector has delivered accumulated efficiencies of more than £1.38 billion in response to centrally-mandated savings of £1.23 billion, giving a recurring saving in 2010/11 of nearly £700 million.¹⁴

Figure 1: Efficiency savings in higher education over CSR04 and CSR07 periods
(source: HEFCE)

Period	Target for efficiency savings (£m)	Total efficiency savings delivered (£m)
2005/06	151.3	134.5
2006/07	150.2	150.6
2007/08	198.65	202.39
2008/09	126.4	159.57
2009/10	241.8	273.66
2010/11	363.0	462.72
Total	1231.35	1383.44

These savings made in England have been implemented at a time of record levels of participation, with the sector serving more students than ever before and continuing work to widen access while maintaining the quality and international reputation of the system – work that has been mirrored in the devolved administrations.

The need for efficiencies in Scotland has been driven, as elsewhere, by the prevailing economic climate. As a report by Universities Scotland noted in 2010,¹⁵ Scottish universities have a strong record in achieving efficiency and have, in common with the English sector, consistently exceeded government targets. Scottish universities made efficiency savings of £44 million in 2009/10 (equivalent to 3.9 per cent of SFC grant) and have planned further

¹² PricewaterhouseCoopers (2011) 'Cross-sector analysis of operational efficiency' (work commissioned by Universities UK)

¹³ Links to consortia websites and brief descriptions of their focus are available at: <http://www.aude.ac.uk/info-centre/Procurement>

¹⁴ These figures are taken from HEFCE board papers reporting efficiency savings, value for money and progress towards shared services. See HEFCE B61/07e; B78/08; B75/09; B75/10; B11/67. Please note that these figures are a conservative estimate.

¹⁵ Universities Scotland (2010) *Towards a Scottish solution* Edinburgh: Universities Scotland pp.4-5

efficiency savings to achieve a cumulative target of £83 million by 2010/11.¹⁶ They are also at the forefront of efficient procurement in the public sector, with 94 per cent of procurement activity being rated highly.¹⁷

Efficiencies have been pursued for many years using a range of mechanisms and approaches, including through the development of shared services. A 2007 report identified over 100 shared services and collaborative activities across the Scottish university sector and concluded that 'the level of collaboration and the large number of examples within and outwith the sector pays testament to a strong network and the recognition of efficient government principles.'¹⁸

In addition to an effective collaborative procurement service that works with both the higher and further education sectors in Scotland (see pages 61-62), other key functions – including admissions, IT infrastructure, statistical information, and library and data subscriptions – have been delivered across the UK on a shared service basis since the early 1990s.

In Wales, efficiency has been considered more directly as part of the value for money drive in the wider public sector, with Higher Education Funding Council for Wales (HEFCW) specifically tasked with addressing 'tangible collaboration in back office service' and the 'eradication of unnecessary competition and duplication' in the remit letter for 2010/11.¹⁹ As part of this work, the Welsh higher education sector has recently explored the feasibility of sharing services such as catering, cleaning and student services, and is in the process of evaluating the findings of a feasibility study that explored these options.

Further research commissioned as part of the Task Group's work,²⁰ looking at process simplification and standardisation in the sector, found that there is a 'generally positive attitude ... shown towards the efficiency agenda' across the sector and 'widespread appreciation that in the context of changes to funding and student fees efficiency was critical in maintaining and improving teaching and services to students.'

A recent report from Universities Alliance²¹ offers some examples of activities which have ensured that efficient business practices are incorporated into overall institutional strategies within this part of the sector.

It should also be noted that there have been a number of sector-led initiatives that have sought to help deliver more effective ways of working. For example:

- The Financial Sustainability Strategy Group (FSSG) and TRAC Development Group have worked to develop four good practice guides in the areas of course costing, workload planning (WLP), departmental sustainability and resource allocation models (RAMs).²²
- The Wakeham Review on sustainability and efficiency in research²³ sought to ensure that the continued excellence of research in the UK was placed on a secure financial footing. Proposals have been introduced which will reduce the indirect costs of research, support better and more effective use of research assets and, importantly, ensure that savings can be reinvested into science and research. Capital funding is also now linked to improvements in space management and asset utilisation.

16 Efficiency outturn report to SFC and indicative outturn figures to SFC

17 Procurement Capability Assessments Summary Report, APUC, July 2010

18 SFC, York Consulting (2007) *Review of Shared Services and Collaborative Activities in Scotland's Universities* Edinburgh: SFC p. 36.

19 HEFCW remit letter 2010-11. Available at: http://www.hefcw.ac.uk/documents/about_he_in_wales/wag_priorities_and_policies/2010-11%20remit%20letter.pdf

20 Deloitte (2011) Process standardisation study (work commissioned by Universities UK)

21 Aston L, Shutt L (2010) *Efficiency, leadership and partnership: an approach that delivers shared economic priorities* London: Universities Alliance pp.18-22

22 Guides are available at http://www.hefce.ac.uk/finance/fundinghe/trac/tdg/MIP_main_report.pdf

23 Available at <http://www.rcuk.ac.uk/documents/reviews/fec/fECReviewReport.pdf>

- The HEFCE-led Leadership, Governance and Management Fund²⁴ (LGMF) has supported work on efficiency with more than £14.5 million invested in over 100 projects over the lifetime of the fund. These projects have supported the development of improved benchmarking processes and mechanisms, options for pensions reform, helped to produce research-based guidance on managing change in higher education, and potential flexible working programmes to improve wellbeing and effectiveness.

2.5 Addressing tough strategic challenges

Responding to current financial and policy challenges has also meant institutions making difficult decisions about workforce development. There are four broad areas in which the sector has engaged in difficult and complex negotiations and activities in order to place itself on a more sustainable footing. These are:

- negotiations concerning pay awards and the need for pay restraint
- reform to pension schemes
- workforce planning, voluntary severance schemes and redundancies
- rationalising course offers and institutional 'repositioning'

Most universities have initiated some form of strategic review of their workforce and have employed a combination of voluntary severance schemes, organisational restructuring, role analysis and re-profiling in order to reduce staff costs. While there are no comprehensive and reliable sector-wide figures available, some institutions have looked to reduce staff costs by the order of £6-8 million per year. As HEFCE reported in February 2010:

Many HEIs have already begun to implement voluntary severance/redundancy schemes and others have indicated their intentions to do so. The offer of voluntary terms has been the preferred option, but HEIs are now having to contemplate compulsory redundancies.²⁵

There have been two key drivers in this area. The first is primarily economic. Along with public services and private companies, there has been a need to ensure that processes and practices are cost effective and that resources are maximised, and a reduction in staff costs has been a part of this. In a sector where approximately two-thirds of costs relate to pay and pensions, this is inevitable. A second driver has been the strategic development of the workforce in anticipation of the move to a new funding environment. As universities look to the future they must anticipate the changing demands of students and make strategic decisions about what courses and services they need to offer in a system driven by student choice.

However, it is important to note that headline figures on job losses may not tell the whole story, as there will be a time lag as institutions identify areas of strategic priority and increasingly look to differentiate themselves. Over time, it might be expected that losses in one area will be offset by renewed recruitment in others as institutions look to realign the workforce to support the changing needs and demands of students.

²⁴ For more details, see <http://www.hefce.ac.uk/lgm/build/lgmfund/>

²⁵ HEFCE(2010) *The higher education workforce framework 2010: overview report* Bristol: HEFCE p.6

3. The need to do more: enhancing effectiveness and efficiency in higher education

The extent to which the higher education sector is already aligning itself to be more effective and efficient is not always recognised. The developments outlined in this report show significant progress, which should be applauded. However, more needs to be done. As with all sectors of the economy, higher education has experienced challenging times in recent years, and the funding model for the sector, particularly in England, is changing significantly, bringing with it new pressures.

As noted in the PricewaterhouseCoopers (PwC) report,²⁶ while efficiency to date has been about making sure that more was done for less, but with the overall growth of the sector largely assured through public funding, in the new circumstances institutions will have to increasingly proactively manage the cost and value of what they do. This means continuing to reduce their costs while staying on top of infrastructure investment, and continuing to improve teaching, research and other front-line services.

The types of efficiency initiatives relevant to this new scenario will build on, but may in many ways be different to, what has been implemented previously. Some of the existing examples of good practice implemented across the sector, for example in sharing services, include vehicles that were built collaboratively to enhance operational capability and increase capacity and quality (for example UCAS), or to improve reporting and transparency of information (for example HESA), or to enable the sector to keep pace with the rapid growth in technological innovation (for example JISC). These services are already adapting to and evolving with the new higher education landscape, as well as monitoring their own effectiveness. But in the future, new efficiency initiatives, including shared services, are likely to be much more about changing pre-existing and already embedded institutional structures, even when they are working well, if the same or similar can be done more effectively. Efficiency and ensuring value for money will need to be established as a priority strategic concern for all institutions.

3.1 Efficiency as a public sector priority – lessons for higher education

The increasing pressure to achieve greater operational efficiency can also be seen in other sectors. In the private sector it is a constant theme, emerging from the need to remain competitive in a fast changing commercial environment. In the public sector, especially in the NHS and local government, change and efficiency have been on the agenda for some time as a result of intensive government reforms over the last decade and continuing financial pressure. Sir Philip Green's report on efficiency in the public sector in 2010²⁷ was the latest in a series of reviews and studies seeking to transform the way in which the public sector operates. The review of civil procurement in the public sector conducted by Sir Peter Gershon²⁸ noted that its own work built upon three previous studies carried out since 1993 [see Key messages from the Gershon Review]. More recently, the work of the Government's Efficiency and Reform Group, led by Ian Watmore, has been addressing these challenges in light of the new economic context.²⁹

26 PricewaterhouseCoopers (2011) 'Cross-sector analysis of operational efficiency' (work commissioned by Universities UK)

27 Green P (2010) *Efficiency Review by Sir Philip Green Key Findings and Recommendations* London: Cabinet Office

28 Gershon P (1999) *Review of civil procurement in central government* London: HM Treasury

29 See: <http://www.cabinetoffice.gov.uk/unit/efficiency-and-reform-group>

Key messages from the Gershon Review

The work produced by Gershon argued that:³⁰

- the fragmented nature of public sector organisations has made it difficult to conduct the business of government in an efficient manner
- clear, consistent and complete data was fundamental to developing efficient practices
- efficiency measures needed to receive visible support throughout an organisation's management structure

Therefore, it concluded that there needed to be a more joined-up approach to efficiency, based on sound and reliable data, and that activities to support this agenda needed strong and effective leadership.

The Task Group felt it extremely important that the higher education sector can draw from these experiences and in the course of this work a study was commissioned from PricewaterhouseCoopers to examine operational efficiency activities in selected sectors, with the aim of drawing out lessons for higher education. The full report of this study will be made available on the efficiency pages of the Universities UK website.³¹

Key findings from the cross-sector review of operational efficiency

1. The private and public sector have significant experience in implementing efficiency activity on a large scale. This activity has frequently led to demonstrable savings and quality improvements.
2. Successful efficiency initiatives in all sectors are characterised by corporate, government or sectoral 'mandation'. Mandation means that there is a defined and clear authority and leadership to request a particular course of action, make decisions, take responsibility for outcomes and instigate the change required in an organisation or sector.
3. Simplification and standardisation of processes is the most important starting point for any sector that is looking to achieve significant efficiency savings.
4. Baselineing is used in all sectors to establish a starting point against which future success can be measured. It also informs the choice of areas for attention, the appropriate level of investment for implementing efficiency measures and what level of benefits can be achieved.
5. Shared services models across sectors show that shared services delivery is an effective efficiency model, which is flexible and can be adjusted to suit a variety of requirements.
6. Across all sectors efficiency processes are frequently delivered in partnership with other organisations to maximise the benefits achieved. This can include innovative partnership arrangements, joint ventures and outsourcing.

30 Gershon P (1999) *Review of civil procurement in central government* London: HM Treasury

31 <http://www.universitiesuk.ac.uk/PolicyAndResearch/PolicyAreas/Efficiency/Pages/default.aspx>

Based on these findings the PricewaterhouseCoopers report identified the following as the most important next steps that the sector should consider at this stage:

1. Clarifying mandate for efficiency improvements in the sector

Higher education differs from other sectors in that the idea of mandate is less defined and accepted and the means to achieve it more fragmented due to the autonomous nature of institutions. The sector will need to address this to obtain the scale of savings that other sectors have achieved. This might require sectoral leadership from a cross-section of vice-chancellors. It could also involve some government input in the case of national and larger regional projects, and the development of policy and guidance on how funding mechanisms might incentivise efficiency.

2. Developing better understanding of the cost of different processes

Higher education needs to develop a more robust and consistent understanding of its costs. This should lead to better understanding of how costs relate to performance, and whether there are significant variations across the sector and in relation to comparable organisations outside the sector. This work can also be used to develop evidence to underpin future efficiency and improvement plans. It should be used to establish baselines, the level of savings that can be achieved, the appropriate levels of investment and the mechanisms by which to measure progress.

3. Prioritising simplification and standardisation

Simplification and standardisation of processes enable organisations to access significant savings quicker and with less investment than might be required for other efficiency mechanisms, such as shared services or outsourcing. Simplification and standardisation are key steps in creating a common platform for the successful implementation of shared services. This will be valuable progress, even if the complexity of some of the processes within higher education prevents – at least in the short term – the next step of more extensive collaboration across the sector and with external partners.

4. Developing shared services solutions where possible in parallel with greater simplification and standardisation

The sector should ensure that any shared services model is based on a wider transformation strategy, and that it aims to achieve improvements in service quality and sustainability as well as efficiency. It is important to integrate cultural change activities at an early stage because implementation will impact everyone in the organisation, and success will ultimately depend on embedding new ways of working.

5. Extending innovation and collaborative efforts to the efficiency agenda

Collaboration with other sectors is one of higher education's strengths in terms of research, teaching and knowledge transfer activities. The same innovative spirit should be deployed in considering collaborative working to improve efficiency. In particular, the sector should look to develop stronger relationships with business process outsourcing (BPO) providers and other relevant organisations in the private sector that can help with the development of long-term solutions and customised services. This might include outsourcing of back office transactional processes, but it might also mean more strategic engagement, such as through joint ventures. There should be a sector-wide engagement with the BPO market to test its potential appetite for collaboration with and innovation in higher education.

In addition to PwC's work for the Task Group, there are some important messages arising from the National Audit Office's (NAO) 2007 evaluation of the implementation of Gershon that are very relevant to the higher education sector. The NAO argued that it is not possible to rely on efficiencies gained through specific efficiency projects to demonstrate savings across a whole organisation. In complex and multi-faceted entities, activities cannot be isolated from the organisational whole as efficiency gains in one area might mask losses in another – 'squeezing the balloon'. It is therefore important to take a whole-organisation perspective and to develop benchmarks that reflect this (for example, productivity based on changes in unit cost to deliver key outputs over time). Much of this complexity emanates from an organisation's staff. Organisational efficiency needs to be led by management but must engage front-line staff who may be better equipped to highlight inefficient processes, and whose cooperation is needed if better working practices are to be achieved.

Another important finding from the NAO report concerned the use of data and the lack of clarity over where savings had been achieved. They noted that nearly three-quarters (74 per cent) of reported efficiency savings were open to question as the data and benchmarking frameworks from which they were evidenced were inadequate. This was not to say that savings had not been made, but rather that they were difficult to verify.³²

The Task Group has found the findings highlighted in this section of the report extremely valuable. These findings have informed the key areas examined in the remainder of this report and the recommendations and actions put forward, notably the importance of looking at savings from a whole-organisation perspective, the importance of benchmarking and good data, and of the need to prioritise simplification and standardisation of processes as part of a broader framework for implementing efficiencies.

3.2 A strategy for further improvement

The question of mandation raised in the PricewaterhouseCoopers report presents significant challenges for the higher education sector, which is made up of largely autonomous institutions that are becoming less reliant on public sources of funding. Indeed, it is from this autonomy that the sector derives its strength and ability to adapt. Whilst it would therefore be undesirable for a single authority to mandate change upon the sector this does not mean that significant change cannot be brought about. It is just that a different approach is needed. In developing this report and its recommendations the Task Group has therefore adopted the following strategy:

- Identifying those areas where more effective or sector-wide approaches and coordination of efficiency initiatives might be necessary in order to overcome duplication or fragmentation, and the ways in which this can be brought about
- Identifying barriers that need to be overcome to achieve change, including those areas where deregulation would be helpful
- Highlighting good practice and how this can be shared more effectively
- Developing mechanisms for more effective monitoring and increasing transparency as a driver for efficiency
- Identifying areas where change can be brought about through strengthened leadership, both at institutional and sector level
- Setting challenging goals where significant change is needed

32 National Audit Office (2007) *The Efficiency Programme: A Second Review of Progress* London: HMSO p.6

4. Transparency, benchmarking and the use of data

As noted above, the cross-sectoral analysis that has been developed to support this work has stressed the central importance of developing a good understanding of costs when implementing efficiency initiatives. Good data on costs is important for two reasons:

- **Supporting transparency:** This will be increasingly important as we move (in England) to a system of increased student contributions and a greater demand from students to know that their contributions are being well spent. It will also continue to be important in terms of accountability and reassurance to taxpayers that remaining public investment in higher education is being used effectively.
- **Supporting management decisions:** Good and relevant data will facilitate a better understanding of where savings can be made, allow an assessment of how much can be or has been saved from efficiency initiatives (for example through baselining costs), and support the development of benchmarks.

This section assesses the data on overall costs in the UK higher education system. It examines how institutions are currently using data and data tools to approach cost management and efficiency, and identifies those areas in which the available data can be developed or enhanced to facilitate and support institutions in implementing efficiency initiatives.

It also looks at data and benchmarking as a tool for understanding and driving efficiency, and although examined separately should be taken together with the sections of this report that focus on the mechanisms and vehicles to deliver savings, for example through shared services.

4.1 Costs in higher education

An analysis based on 2009/10 HESA financial data shows that the gross expenditure in 2009/10 across the UK higher education sector was just under £26 billion³³. Figure 2 shows how this breaks down by country within the UK.

³³ This section is based on KPMG (2011) *Analysis of costs in the HE sector – A report for Universities UK*

Figure 2: Relative expenditure on higher education, by country (£/bn)

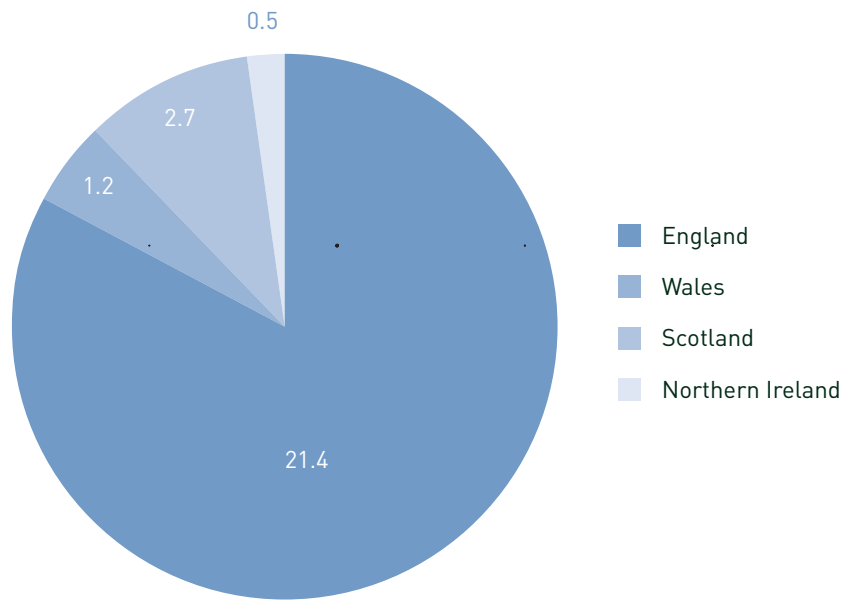


Figure 3 below shows how these costs break down by broad area of expenditure and by country within the UK.

Figure 3: Breakdown of expenditure in higher education institutions, by country



Figure 4: Breakdown of costs in UK higher education institutions, by activity

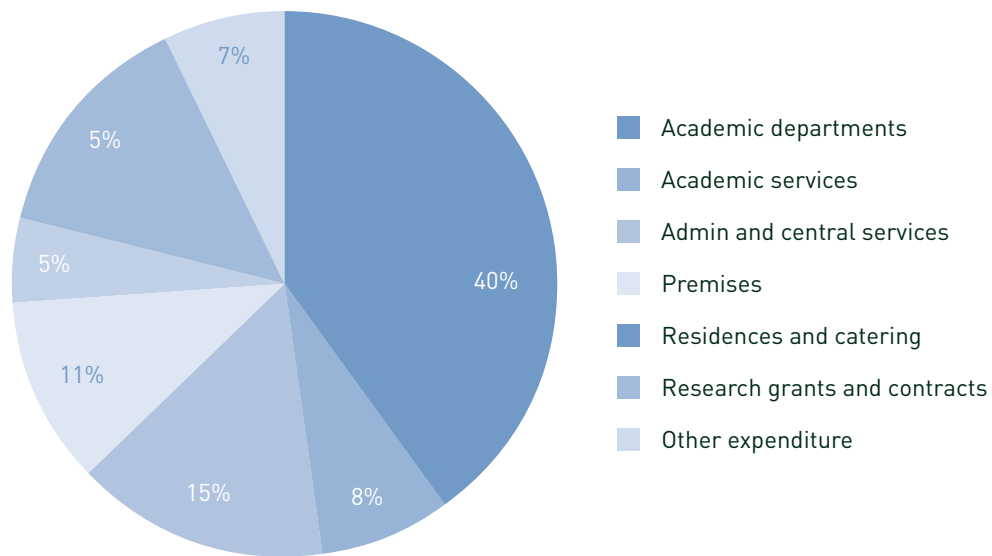
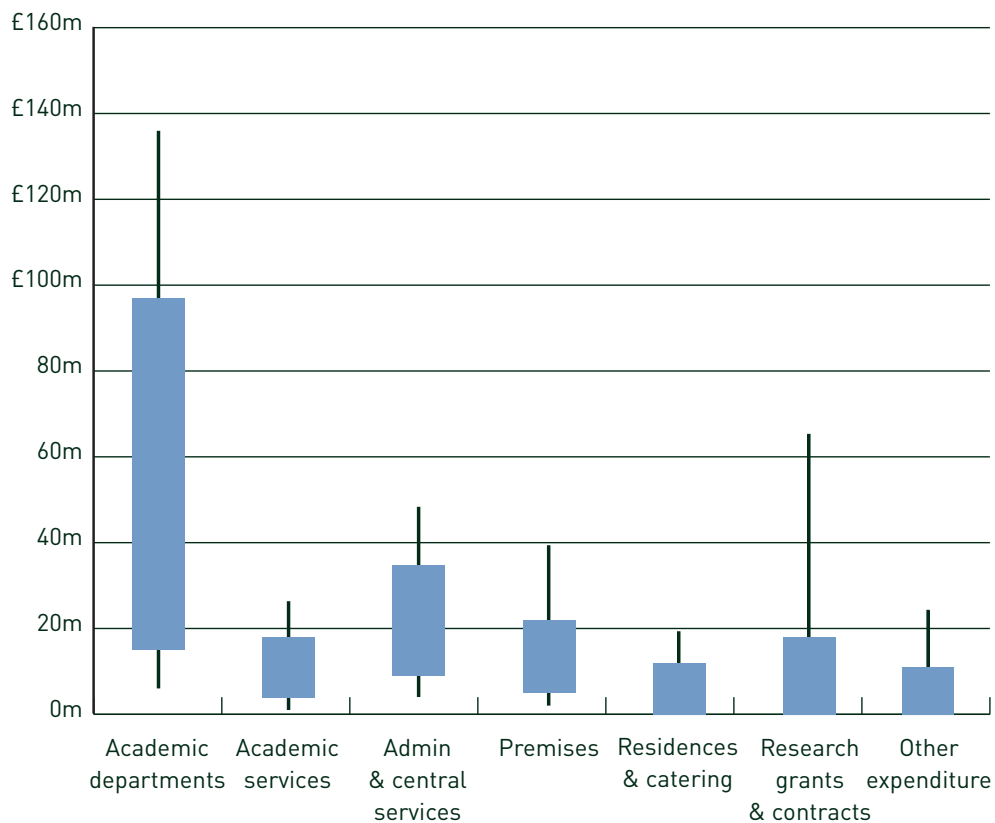


Figure 4 identifies the broad activity to which costs are related. Figure 5 shows the variability in these costs.

Figure 5: Variability in costs in UK higher education institutions, by activity



Whilst it is a useful exercise to examine overall costs in the system and how these are distributed across higher education activity, the HESA data is not broken down at a service level and therefore the information is not useful for understanding different operational activities. The categories of spend presented in Figure 4, while standard for the sector as a whole, do not provide visibility of the cost of administrative services. For example, the cost of finance, IT and HR will typically be split across all categories, although there are some data sets that are very useful and are being effectively utilised, such as estate management statistics.³⁴

Furthermore, due to the diverse nature of the sector and the fact that services are structured and delivered in considerably different ways, the drivers of costs and the scope for efficiencies are difficult to establish. Although Figure 5 shows that there is greatest variability in the costs of academic departments across institutions, this would be influenced by the organisations' structure and size, so comparisons in terms of efficiency would be difficult to make. It is therefore very difficult to identify a single measure that can be used as a denominator to enable comparisons of costs between institutions. There are also limitations in the availability of published data for the sector as a whole, from which a denominator can be drawn which maps across the published categories of cost. The principal, albeit crude, options are student numbers, academic staff numbers or income. Analysis of these options undertaken to support this work would suggest that it is difficult to draw meaningful conclusions about efficiency and how it affects differences between institutions.

Given the increased interest in operational effectiveness, better data on different categories of operational and service costs should be developed and made available. If published this would support greater transparency and allow the sector to demonstrate the extent of the savings being made from the kind of initiatives presented elsewhere in this report. This data would also support the development of benchmarking indicators. The Task Group therefore recommends the following:

Recommendation 1: Better data on costs of operational functions should be developed. This will increase transparency around the costs of these activities and provide useful information to support benchmarking.

- In the first instance relevant professional and representative bodies in human resources, finance, ICT, procurement, estates, and student services should work together, and with the Higher Education Statistics Agency (HESA), to identify data on service functions that already exist in the system. From this a series of high-level metrics, aggregated to agreed levels, should be published which can demonstrate how the sector is making progress on savings in these areas. These measures could replace data currently collected by HEFCE under the Efficiency Reporting System, which is due to end with the completion of the CSR07 period. Building on this work, HESA should look to develop a consistent approach to collecting this data. The work proposed here should link in with proposed review of the Transparent Approach to Costing (TRAC) to ensure that the evolution and use of TRAC can support this process. The Financial Sustainability Strategy Group should oversee the development and monitoring of this data, which would also inform the reporting and monitoring undertaken by the proposed UUK efficiency panel in Recommendation 16.

34 For the latest on the progress and findings of Estate Management Statistics please see HEFCE report: 2011/17 http://www.hefce.ac.uk/pubs/hefce/2011/11_17/

4.2 Approaches to understanding costs and enhancing efficiency

Many of the institutions consulted in the course of this work³⁵ have implemented a range of tools and techniques designed to facilitate cost management and to improve efficiency. Principal among these are benchmarking and process reviews. Many institutions have sought or are seeking to implement financial and performance benchmarking techniques using internal data. This includes comparison of key performance indicators between schools and faculties, comparing the performance of support services across faculties, and comparing actual performance of support services against user expectations and satisfaction. The case study presented from Nottingham Trent University demonstrates how institutions are using data to support an integrated management system and to benchmark performance.

Nottingham Trent University – Integrated management systems and commercial approach³⁶

The University has an integrated management approach across all activities, ensuring that its systems reinforce efficiency and effectiveness across different service elements:

- **The management dashboard:** This delivers real-time monitoring and is central to the University's ability to manage assets, set targets and forecast. The 'dashboard' draws together student, HR and financial planning information in a user friendly way so that managers across the University have access to a vast amount of data. Based on this 'daily business position', everyone from the vice-chancellor to a manager of an individual school can access information on cash balance and financial performance, space utilisation as well as staff and student number data. Use of the dashboard is integrated across university management and planning processes to ensure that there is 'one version of the truth'.
- **Linking benchmarking with business and industry:** Directors with a commercial focus sit alongside pro-vice-chancellors with academic responsibilities. These directors are recruited from outside the sector and bring skills enabling the University to be managed in a businesslike way. Over time, the University has integrated privately trained professionals so that activities benefit from a wide range of experience of business and industry. Benchmarking is further enhanced through this approach by testing processes against other businesses as well as other universities.

Evidence also suggests that there is a strong appetite to benchmark performance against other institutions, although those institutions consulted in the course of this work have been less successful in achieving this, due to the difficulty in reaching a consensus on what should be measured and how. Some institutions benchmark financial performance at a high level using HESA data, though others have not found such an approach helpful as the differences between institutions make comparisons difficult. Notwithstanding this, however, there are a number of services provided by private companies which are currently utilised by the sector. For example, Tribal Benchmarking has 40 per cent of higher education institutions in their Benchmarking Databank.³⁷ The University of Warwick is currently working with Tribal Benchmarking and other institutions to develop benchmarking to support the business case for the development of shared services.

³⁵ This section is based on a series of interviews undertaken by KPMG on behalf of the Task Group

³⁶ Aston L, Shutt L (2010) *Efficiency, leadership and partnership: an approach that delivers shared economic priorities* London: Universities Alliance p.16-17

³⁷ See <http://www.tribalgroup.com/education/advisoryprogrammes/Advisoryandimprovement/Pages/Benchmarking>

Using benchmarking to develop shared services

The University of Warwick and university business systems specialists Tribal Benchmarking are members of a small Foundation Group seeking to establish administrative shared services within, and for, the UK higher education sector. Benchmarking data is a powerful tool to help build an appropriate business case, and also to provide candidate institutions the information they need to make strategic decisions on how to operate.

The small, representative Foundation Group, together with data collected by Tribal from 34 institutions, provides manageable, representative and robust data that will help form any business case. Tribal have experience in shared services and their student administration system is already used by over 70 per cent of the UK higher education sector.

The principal source of benchmarking data for institutions is internal, with all institutions drawing on financial and non-financial data from central sources together with some specific data collections from individual departments, schools and faculties. Most institutions will also make use of HESA data and the Higher Education Information Database for Institutions (HEIDI) in some way, even though, as noted earlier in this report, most consider such data insufficiently detailed for informative comparisons to be made. The Association of Managers in Higher Education Colleges (AMHEC) benchmarking service is an initiative that institutions are showing an interest in, while others are working to access data from other institutions through regional member bodies or through informal arrangements with individual institutions.

The AMHEC 'Benchmarking in HE' project

'Benchmarking in HE' is part of a HEFCE-funded benchmarking project. The project aims to provide benchmarking tools and information for universities and colleges to improve processes and efficiency. In benchmarking their business processes against peer institutions, users of the system are able to identify the best practice associated with those processes. This has led to effective and efficient delivery of services in diverse areas, including marketing, student residence management, registry processes, budgeting and financial reporting, corporate planning, and human resources management.

The approach is based on a set of performance indicators developed in the public sector by the Chartered Institute of Public Finance and Accountancy.³⁸

The current HEFCE funding aims to increase benchmarking participation and activity by encouraging more universities to benchmark their activities using the online database software developed for the project and adopting the NAO key performance indicators (KPIs) used in other parts of the public sector relating to finance, human resources, IT, estates and procurement.

38 CIPFA provide benchmarking services to over 600 public sector organisations across more than 60 annual exercises. For more information on CIPFA benchmarking, please visit their website at www.cipfabenchmarking.net or email benchmarking@cipfa.org.uk

In November 2010 HESA published the first report of a two-stage project aimed at developing the practice of benchmarking within the sector.³⁹ The first stage examined current benchmarking activity across the sector and barriers to more effective use of benchmarking, and made a number of recommendations. The report showed, through its overview of activity and case studies, that there is evidence of extensive activity across the sector in gathering, analysing and sharing data, and in identifying best practice. However, the report proposes that the sector should look to greater use of benchmarks and benchmarking in order to respond to the current economic climate and the challenges faced by the sector. The second phase of the project is now underway and will look to address these recommendations and to build benchmarking capacity and capability within the sector. The Task Group is very supportive of this work, and has welcomed the constructive dialogue it has had with HESA on this issue. Although the second phase of the HESA work is not directly examining the development of benchmarks, it will be important that HESA can engage effectively with the relevant issues and recommendations presented in this report, particularly around supporting data requirements.

4.4 Strengthening the development of benchmarking to drive efficiency

In considering the future development of financial benchmarking in the sector, key areas identified for improvement by institutions are access to suitable benchmarking data and the ability to access and share operation data with their peers. Suggested data requirements include non-pay 'commodity' costs (such as stationery, computers and energy), support service costs, and the performance of individual schools and faculties. Institutions have also indicated that they would like to try to gain a better understanding of the link between costs and outputs, so that they can measure the services delivered against the costs of delivery. This is a complex area and institutions have expressed an interest in the development of further guidance. Another challenge for the sector relates to the limited knowledge of transaction costs and the costs associated with processes. A further area of uncertainty is the extent to which institutions are permitted to share data and information in relation to competition law. Overall, whilst it is clear there is a lot of activity currently underway, this is often fragmented and in need of more effective and strategic coordination. In responding to these challenges the Task Group proposes the following actions.

Recommendation 2: Effective benchmarking is central to driving efficient operation in the higher education sector. Significant progress has been made, but initiatives are fragmented and at varying stages of development. A more strategic sector-wide approach is needed and the following actions are proposed to coordinate and strengthen the development of benchmarking in support of efficiency:

- There are currently a number of financial and efficiency benchmarking initiatives within the higher education sector. Universities UK, working closely with HESA, should take a strategic overview of this work and seek to ensure that further benchmarking initiatives are supported through a common framework (for example, by ensuring common data needs can be met). This would also involve developing generic tools and approaches that can be adapted by institutions or groups of institutions, and where appropriate facilitate benchmarking with other sectors. The development of a common framework for efficiency benchmarking in higher education should also seek to provide guidance on the link between costs and outputs, so that institutions can measure the services delivered against the costs of delivery.

39 HESA (2010) *Benchmarking to improve efficiency* Cheltenham: HESA

- As part of Universities UK's role in developing a common framework for efficiency benchmarking it should also provide the sector with guidance and clarity on the implications of competition law for the development of benchmarking in a changing higher education funding environment.
- Concerns have been raised that data in the sector on commodity costs is not robust enough to assist in benchmarking effective procurement. As part of the developments proposed above, the British Universities Finance Directors Group's (BUFDG) executive group, the Association of University Procurement Officers (AUPO), should take the lead in looking at how better data on the costs of commodities can be developed and used within the higher education sector.

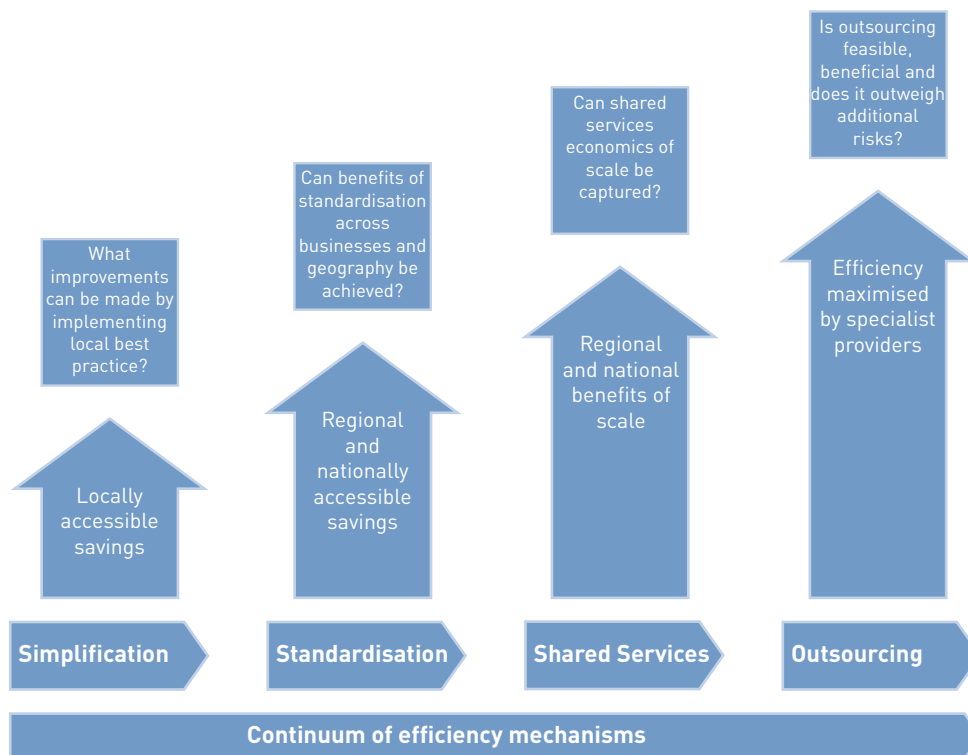
5. Embedding a continuous commitment to efficiency in higher education

Evidence presented in this report shows that universities are already looking to develop new working practices and approaches. In responding to the challenges and drivers outlined in the first part of this report, institutions will need to continue to understand and evaluate their operational effectiveness, even in areas that have been performing well to date. Embedding a continuous commitment to efficiency will therefore be important. This section outlines a number of ways in which institutions looking to make savings can respond, and how initiatives can be further encouraged or supported.

5.1 A framework for continuous improvement

Shared services or outsourcing are often heralded as ‘off the shelf’ solutions when thinking about efficiency. However, these lie on a continuum, which includes simplification of internal processes and standardisation within or between organisations at one end, and outsourcing at the other. The range of these mechanisms, the potential benefits of each and the challenge associated with competing methods is shown in the diagram below:

Figure 6: Increasing impact of efficiency measures (adapted from PwC, 2011)



Whilst it is not a simple linear process, this diagram provides a useful framework for understanding these developments. Shared services provide consolidation of standardised transaction processes across multiple organisations, or business units within the same organisation, to achieve economies of scale. This can be further exploited, if appropriate, through outsourcing to specialist providers, who can reduce cost and improve quality by using specialist knowledge, resources and technology that are not feasible to develop in house. Opportunities for shared services and outsourcing are, however, to a large degree dependent on the prior processes of simplification and standardisation.

In any situation where there is significant business fragmentation, such as exists in higher education, the processes of simplification and standardisation are important when moving forward in achieving initial efficiency savings, as well as creating the necessary platforms for moving towards shared services and outsourcing.

Typically, an organisation will start seeking efficiency savings through more accessible, local simplification of its processes. As well as realising savings quickly, this process means that the organisation becomes better placed for any subsequent engagement with external parties, with its systems optimised to perform as successfully as possible and with unnecessary complexities removed. The other relevant process on the way to shared services and outsourcing is standardisation, which usually includes the re-engineering of processes to a common standard across different business units or different organisations in order to create a common systems platform.

It is possible that within the same organisation different processes are at different stages of maturity. This will depend on each organisation's circumstances and their commercial and other specific requirements. The range of savings that is possible varies across functions and different organisations. In some instances the majority of savings might be accessed through simplification and standardisation. In other situations, the real value comes only from shared services and outsourcing.

In many instances the implementation of shared services and outsourcing are too expensive without prior simplification and standardisation. This is because without these steps the organisations concerned might introduce unnecessary complexity in the shared environment and/or increase the cost to the external providers. Sometimes the internal complexity can be such a significant contributor to the cost of shared services and outsourcing that the organisations choose to undergo a complete transformation process before proceeding with shared services and outsourcing. In higher education some of these steps might be possible to achieve given the existing shared operating and reporting structures that are implemented across the sector (such as common data and reporting formats). However, the sector might find that the existing systems are not detailed enough in some circumstances (for example the ability to break down cost by process in back office functions) or that there is too much local variation (for example due to geographical location or the specific type of facilities or expertise required). In these cases further simplification and standardisation would not be easy, but it would still be important if the sector is to realise potential savings.

5.2 Process improvement, simplification and standardisation

The evidence presented thus far, which has examined developments in the public sector, demonstrates that significant benefits can be made from internal process improvement, simplification and standardisation, which are also key steps in creating a common platform for the successful implementation of shared services and outsourcing. This section examines how universities are seeking to simplify and standardise internal administrative processes in order to manage costs and effectiveness and how this progress can be encouraged further.

The Task Group commissioned a study to examine the extent of developments in this area. It concluded that the university sector is making good progress and that the scale and scope of its activities is as diverse as the sector itself. The study proposed that the most successful programmes appear to be those that:

- are of a scale to make an institution-wide financial impact
- involve stakeholders
- focus on benefits to students and staff
- are overseen by strong programme management
- use data to inform all concerned of the scale of the challenge and the benefits derived from successful implementation

The study includes a number of case studies and will be published on the efficiency pages of the Universities UK website. Those which highlight the diversity of initiatives include:

Liverpool John Moores University

Liverpool John Moores University developed an organisation wide, strategic approach to all the photocopying and printing requirements of the University, both for staff and students. This has been achieved by putting in place a standardised process for printing, and moving printing to a common print infrastructure.

There were five key parts to the strategy. These were:

- to seek to reduce the volume of printed and photocopied material where this is without detriment to teaching and learning and administrative functions
- to seek to reduce spending on printing and photocopying through providing local management with improved information and devolved control on the costs of print and provision of access to the most efficient equipment
- to encourage the use of recycled paper and environmentally friendly printing processes
- to promote the strategic management of print through seeking to engage a print supplier and/or advisor capable of taking an organisational view of printing and its IT requirements and determining whether in-house or external provision of print services best meets demand
- to seek efficiencies of operation through liaison with other higher education institutions and other compatible organisations

The initiative was underpinned by an extensive communications strategy that helped stakeholders understand the motivation for and benefits of the process. Internally and externally provided print services cost the University about £1.7 million per year in 2007/2008.

The University changed its process and achieved an annual cost reduction of £100,000, which was maintained the following year. This has also resulted in lower print charges for students and an easy to access broker service for larger print jobs so that the most cost efficient method of printing can be determined.

Process improvement in HR: University of Cumbria

The University of Cumbria undertook a review of internal HR processes as part of a wider commitment to institutional efficiency, with a wider cost reduction programme in place across the University. Delivering 'More with less' was a theme of the University operational plan.

The University started HR process improvement work in September 2010. The University has reviewed 56 HR processes and now reduced these to 32. The touch points between users and the service in a number of the remaining 32 processes been reduced. These changes have been built around introducing self service into HR procedures and records.

The University applied its version of Prince2 to managing the project using a board of users, suppliers and stakeholder representatives. The project team was drawn from the HR function but worked with champions in each of the faculties. The project included a small IT systems team. The deputy director of human resources was identified as the senior reporting officer for the project and acted as the link with the University senior management team. A specialist business process review consultant was used to provide expertise and challenge

The changes were introduced by using a series of meetings, training and briefings. Faculty champions reviewed the proposed processes and helped to showcase the changes. Demonstrable benefits in terms of speed and accuracy for items such as expense claims and holiday bookings influenced opinion positively and also ensured staff interacted with the system.

The project has spent in the region of £100,000 on software and external help plus backfill cost for staff and is expected to yield annual savings of £45,000 in staff costs. A further benefit of the programme is that the University feels it has a transposable model that it can now apply to similar initiatives in other functions.

The study proposes that the challenge now facing the sector is to replicate and build on work to date. In order to do this it suggests that the sector needs to:

- establish a cost baseline for typical transactions to allow effective comparison, targeting and planning of activity
- recognise that major savings will often necessitate initial investment and that it may need to 'spend to save'
- establish and apply proven methodologies, such as Lean, to the process of improving services and reducing costs
- join up, at an institutional level, separate efficiency projects into a structured programme management approach in order to focus on institutional benefits and reduce duplication and overlap
- look for areas of sharing across similar organisations that are more advanced in order to not 're-invent the wheel'. For example, a large number of local authorities have already invested in new finance, HR and procurement systems, or created shared services – and joining these services may have a far bigger, quicker or less risky return on investment than going it alone.

The Task Group welcomes the findings and recommendations contained within this study. Proposals to improve data and benchmarking, presented elsewhere in this report, will make a significant contribution towards enhancing the sector's efforts to simplify and standardise operation functions and services, particularly in understanding the cost savings that are being achieved. In addition to this the Task Group would propose the following recommendations:

Recommendation 3: A prerequisite for developing shared services and delivering optimum performance is having streamlined internal processes. The Task Group therefore recommends that institutional leaders continue to prioritise streamlining and standardising internal administrative and operational processes. Evidence of sector-wide developments in this area, building on the work commissioned for this report, should be included in the reporting of the UUK efficiency panel and made available through the proposed efficiency hub (see Recommendation 6) to facilitate the sharing of good practice.

Recommendation 4: Higher education institutions should ensure that they take a long-term view when looking to implement efficiency initiatives, and activity should be embedded within wider institutional strategies. In particular, efficiency initiatives should always be seen in the context of maintaining the effectiveness and quality of UK higher education. All institutions should ensure they have in place a structured programme approach which brings efficiency initiatives together in order to focus on institutional benefits and reduce duplication and overlap.

Recommendation 5: Institutions should always base decisions on where to develop efficiency initiatives on costed and robust business proposals so that the benefits can be clearly evidenced.

Support for institutional change

This section highlights resources and methods that can assist the sector in maximising the potential returns of process improvement.

The JISC website is host to a range of valuable resources that can help to support institutional change,⁴⁰ while a number of projects supported by HEFCE explore the potential of different change methodologies such as Enterprise Architecture and Lean.⁴¹

Supporting organisational change: Resources available through JISC

- **Strategies for agile institutions**

<http://www.jisc.ac.uk/supportingyourinstitution/institutionalmanagement/agileinstitutions.aspx>

This covers many of the various assets available through JISC such as the Strategy infoKit, the Strategic ICT Toolkit, Business Intelligence, the application of Enterprise Architecture approaches to understanding business processes and reforming ICT governance as a prelude to becoming ready to take advantage of new, flexible ways of delivering ICT-enhanced services, scenario planning, and the 'Impact Calculator'. There is also work on the application of business intelligence to improve strategic planning at: <http://www.jisc.ac.uk/supportingyourinstitution/institutionalmanagement/businessintelligence.aspx>

- **Identify and Access management**

<http://www.jisc.ac.uk/supportingyourinstitution/institutionalmanagement/identitymanagementsystems.aspx>

An accessible resource to help aid the development of better and more effective systems.

- **Reducing costs**

<http://www.jisc.ac.uk/supportingyourinstitution/reducingcosts.aspx>

Information to help institutions achieve better value for money from JISC content and subscriptions, making core administrative systems more cost effective, and how institutions share services to improve administrative processes.

- **Procuring efficient new ICT systems**

<http://www.jisc.ac.uk/supportingyourinstitution/institutionalmanagement/procuringystems.aspx>

Provides an overview of the business case for open standards, related work under the flexible service delivery programme and also provides links to JISC's relevant advisory and support services on standards and procurement.

40 See <http://www.jisc.ac.uk/supportingyourinstitution/institutionalmanagement/agileinstitutions.aspx>

41 See <http://www.exeter.ac.uk/spc/stratplan/hefcedeliveringmorewithless/> for more details.

Lean

One of the most popular methods for driving improvement within the private sector is Lean, which has begun to be adopted in parts of the higher education sector in recent years. Lean thinking began with the Toyota Production System which transformed car manufacturing in post-war Japan and is now being used in the public and private sectors. Lean is commonly referred to as a methodology or set of tools that identifies waste within a process and focuses on the value that each step of the process gives to the customer. Lean concepts are simple but can be challenging to implement. The principles behind Lean can be adapted to benefit a range of manufacturing and service environments. For example, in recent years both Tesco and the NHS have successfully used Lean to improve the quality of their service. The benefits they have seen include:

- reduced waiting times
- lower costs
- improved customer experience

Lean has grown from the application of two principles:

- **Continuous improvement:** Continuously looking at your work processes and striving to improve them.
- **Respect for people:** Remembering that they are the greatest asset. It is the staff of an organisation who know what works well and what needs to be improved, and who have the ability to suggest and make the necessary improvements.

Research into the use of Lean in the public sector⁴² proposes that it is best regarded not as a way of reducing costs but of improving performance and, most importantly, increasing value to the consumers of a particular service. This is extremely relevant and important to a changing higher education sector. To be effective, activities to improve internal processes need to be related to wider institutional strategies to ensure that they work towards broader objectives.

A notable example of where the adoption of Lean principles has led to significant savings and improvements to service quality comes from the University of St Andrews, where a dedicated 'Lean Team' has been established to drive improvement across the institution.

The impact of Lean at the University of St Andrews

Since October 2006, staff from every School and Unit have been involved in a Lean project in some way. Key areas of Lean activity have been in Finance, the Library, Registry and Estates. Examples of projects include:

- **Estates job tracking:** Estates staff are now able to check work requests from any computer across the University, saving the need to travel back to base multiple times daily.
- **Student status letters:** Letters can now be made available on demand, rather than the student having to wait, at peak times, for five to ten days.
- **Library reshelving:** Items are now on shelves at the correct location within four hours of their return to the Library, significantly less than the 1994 Group benchmark average of 21 to 210 hours.

⁴² Radnor Z, Walley P, Stephens A, Bucci G (2006) *Evaluation of the Lean Approach to Business Management and Its Use in the Public Sector* Edinburgh: Scottish Executive Social Research. See pp. 3-6

- **Research Leave Committee:** Research leave applications are now handled in the existing staff annual review and school reporting procedures, removing the need for a senior committee that produced over 6,000 sheets of paper and met three times annually.
- **Job vacancy advertisement:** Job vacancies are now advertised within two weeks of notification, at an annual saving of £150,000, while continuing to recruit successful candidates.
- **Student self certification of absence:** Students are now able to self certify absence from teaching online, enabling real-time monitoring of absence and increasing levels of support where required.

By the end of the fourth year of Lean, staff in the University had released the annual equivalent of 24.63 FTE (FTE is the equivalent of a full-time position). More important than the time or money that may be saved is that processes are now more able to meet the needs of the customer, and staff are able to add more value.

For more information, please go to: <http://www.st-andrews.ac.uk/lean/>

These approaches and resources are extremely valuable in supporting the sector and looking to promote further change. However, available resources and opportunities are not always immediately apparent to institutions and feedback has suggested that they find it difficult to identify good practice given the diverse nature of developments in this area. It is hoped that the case studies and approaches outlined in this report can assist the sector, but a more coordinated 'single' approach is needed. We would therefore recommend the following:

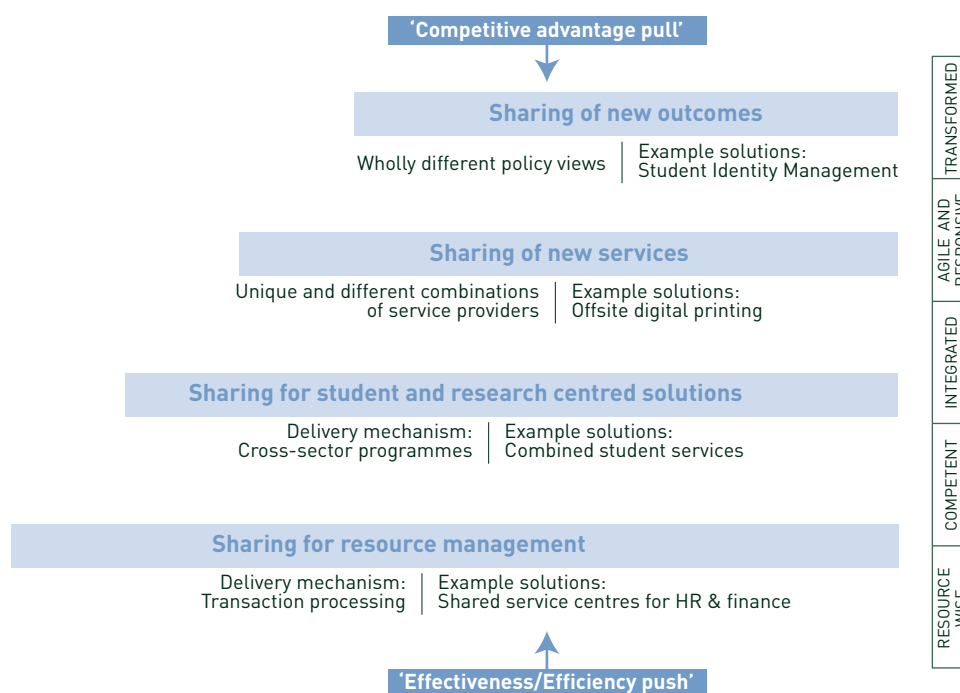
Recommendation 6: The Task Group notes that there are a wide range of services already available that can support institutions to develop more efficient working practices. There needs to be a mechanism for identifying and locating these, an 'efficiency hub' web space to promote services available within the sector that can signpost good practice and highlight innovative developments. To ensure that this space remains dynamic and up to date there will need to be buy-in from institutional leaders, who can promote the service within their institutions. The Task Group recommends that UUK, HEFCE, the Joint Information Systems Committee (JISC) and the Leadership Foundation for Higher Education (LFHE) work together to discuss how such a facility should be developed and funded. The development of this could be overseen by the proposed UUK efficiency panel.

5.3 Exploiting the potential of shared services and outsourcing

As the framework represented in Figure 6 illustrates, shared services and outsourcing are related yet distinct processes on the continuum of activities through which organisations can deliver efficiencies and support organisational change.

There are many ways in which shared services and outsourcing can be used, and many reasons why such strategies may be chosen. Figure 7 highlights the different forms that shared services can take, and the impact this has on potential outcomes. In the hierarchy it suggests, shared services can be driven by an efficiency motive, which often involves pooling simple transactional activities, or a desire to deliver new services through innovative models, which are driven more by concerns over competitive advantage. Similarly, simple transactional processes can be outsourced to reduce costs, while more advanced forms centre on using private sector expertise to deliver vital functions in a more effective way.

Figure 7: Hierarchy of shared service models (source: JISC/HEFC)



Shared services can bring benefits in a range of areas, such as:⁴³

- **Cost savings** – achievement of economies of scale, and higher levels of efficiency through simplification and standardisation of processes
- **Lower investment costs** – the pooling of transactional activities across an organisation into a single shared service operation makes more efficient use of investment capital
- **Better information and data** – higher levels of technology investment leading to more reliable, richer and consistent management information, which can enable further financial savings, for example in procurement
- **Customer service** – from a single location using greater standardisation of processes, it is easier to deliver services to an agreed and documented set of performance standards with an explicit focus on customer service
- **Shifting focus** – the aggregation of transactional processing frees up the time of corporate services professionals allowing their focus to shift towards value-added activities
- **Comparability** – the introduction of common standards enables easier comparisons of performance

It is important to recognise that while cost-saving is an important driver, the other factors listed relate to more strategic concerns which support the effectiveness of institutions.

⁴³ National Audit Office (2007b) *Improving corporate functions using shared services* London: HMSO p.13

The development of shared services in higher education

There have been a number of studies looking at shared services in higher education, notably from HEFCE⁴⁴ and JISC, as well as a number of national conferences⁴⁵ and policy papers⁴⁶ which have placed them at the centre of discussions about efficiency.

There are several national services already in existence which perform critical functions, such as UCAS and JANET. However, there is sometimes a lack of awareness concerning the extent to which higher education institutions are benefiting from other collaborative ventures, and the potential that developments in this area presents.

In the 2006 HEFCE report on shared services, collaborative solutions in the higher education sector were seen to be operating at four distinct levels:⁴⁷

1. National, sector-wide organisations providing services to many or all institutions
2. National associations providing networking opportunities and disseminating best practice
3. Local examples of cooperation on an ad hoc basis
4. National and regional procurement arrangements

The scope of these ventures and the role they play in supporting efficiency and effectiveness in the higher education sector are presented in the following case studies.

The University of London provides an excellent example, with colleges having access to a range of collaborative services which include academic resources, student services and administrative support.

44 HEFCE (2006) *Shared services in the higher education sector* Bristol: HEFCE

45 For example: *The Future of Shared Services in Higher Education: Strategic leadership and effective services in challenging times* (London, 16 November 2010)

46 Policy Exchange (2010) *Higher Education in the Age of Austerity: Shared Services, Outsourcing and Entrepreneurship* London: Policy Exchange

47 HEFCE (2006) *Shared services in the higher education sector* Bristol: HEFCE

Shared services and the University of London

The University of London is a federation of 19 autonomous colleges. Member institutions are a diverse group of varied size, scope and mission. While many of the services and facilities University of London colleges have access to as part of the federation are often not viewed as traditional 'shared services', they do in fact represent one of the largest and most comprehensive institution-level shared services in the sector.

Member colleges have access to a wide range of shared services. Some of the most notable examples are:

University of London Careers Group: Though centrally administered, the Careers Group follows a distributed model, with staff placed in each of the member colleges. However, by sharing staff and working collaboratively, this model allows students to benefit from a greater breadth of expertise, while colleges can draw on the wider pool of staff to support institutional objectives and activities when necessary.

Senate House Library: The shared library, supporting such a large and diverse group of colleges, benefits from economies of scale and a reduction in duplication, which gives students access to one of the most comprehensive library collections in the country.

Student accommodation and housing services: The University of London is responsible for the administration of approximately 3,500 halls of residence places, which are allocated to colleges on a quota basis. The housing services department provides a link between students and private accommodation, placing around 25,000 students and managing relationships with tenants. A small number of staff (currently eight) are responsible for the service, making it an extremely cost-effective way of supporting students across a large number of institutions.

The University of London also provides administrative support services to colleges on a subscription and per-use basis, a central curriculum development and resourcing function and the University of London Union. By accessing these functions through shared services, colleges benefit from a greater pool of expertise and more comprehensive services for themselves and the student body than would otherwise be economical to provide individually.

The best shared services respond to clear needs from within the sector and develop accordingly, from 'grass roots' engagement. A notable example is the work of the Kingston City Group, a shared service providing internal audit services, which has enabled a pooling of expertise that gives members access to a greater variety of skills than they could support individually. The service is seen as a great success, and now delivers commercial services to non-members.

The Kingston City Group⁴⁸

The Kingston City Group (KCG) was formed in 2005 to serve the internal audit and management assurance needs of higher education institutions in London and the south east on a shared services basis. It was established to address concerns raised by a number of institutions regarding the quality of internal audit service provision through both outsourced and in-house arrangements.

The formation of the KCG required an initial critical mass of institutions with shared expectations and high standards for internal audit. The consortium was established on the premise of long-term partnership between member institutions. It has successfully combined the strengths and advantages of both outsourced and in-house models and minimised the associated weaknesses.

The KCG consortium is jointly owned by member institutions which enables them to be involved in strategic planning, governance and management of the consortium, to share in all benefits, and to generate savings on VAT costs associated with staff resources.

Since its establishment in August 2005, the membership has grown from four to 14 institutions, with combined total annual income of £1 billion. The KCG turnover is now nearly £1.5 million per annum from the delivery of over 2,500 audit days. The consortium currently employs 15 staff operating from a number of audit offices.

KCG is widely recognised across the sector as an innovative provider of internal audit, risk management and advisory services that offers high quality service and value for institutions in London and the south east, and now has a national reputation with a growing brand.

⁴⁸ Adapted from: <http://www.kingstoncitygroup.co.uk/about.html>. See also: Grant Thornton (2011) *Opportunities and interest in shared services – London HEIs* London: Grant Thornton pp.43-44

In a similar vein is the Unitemps service that was first developed by The University of Warwick. Operating along the lines of a franchise, Unitemps provides a model through which process simplification generates significant efficiencies, the success of which has led to the service being extended to other institutions.

Unitemps

For many years universities have turned to a range of temping agencies to meet their short-term staffing needs and students have also turned to the same range of agencies for paid short-term employment. In 1997 The University of Warwick recognised that employment need and potential workforce were both on the campus, so a temping agency that brought these two things together could also be part of the University. Warwick consequently founded its Unitemps agency to do just that and quickly found itself generating an annual saving of at least a 20 per cent over what it would have spent on external agencies.

The Warwick Unitemps agency quickly grew to also directly service the needs of Birmingham City University and in recent years other UK universities have approached Warwick to see if they could create their own 'franchised' version of the service. The University of Nottingham was the first to open such a franchise. Just a few months ago the University of Surrey became the latest university to sign up to a Unitemps franchise, meaning the service now covers over 100,000 students in the UK. And that figure is set to double in the next 18 months to two years as four more UK universities are also in talks with Warwick with a view to creating their own Unitemps franchise.

The Unitemps model provides temping opportunities to university students that typically meet the temporary staffing needs of university administration and service departments, but it also helps students find temporary work in a range of other employers local to their universities. Bringing together that pool of university temping jobs, it creates even more opportunities for students to gain employability skills, and works with local employers to fill temporary job opportunities. It also encourages retention of students in the local economy.

In terms of shared services at a sector level, JISC has delivered significant efficiencies to the sector through investment in new technologies and economies of scale, while also delivering important services.

Joint Information Systems Committee⁴⁹

JISC was established by the funding councils for England, Scotland and Wales to deal with networking and specialist information services and now works in both higher and further education. Although established by the funding councils, its collegiate structure means JISC's strategy is driven by the institutions.

JISC provides a centralised and coordinated direction for the development of infrastructure and activities including:

- new environments for learning, teaching and research
- access to electronic resources
- a national IT network for higher and further education – JANET
- guidance on institutional change
- advisory and consultancy services
- regional support for further education colleges through Regional Support Centres

The 2007 report into JISC and its value to the education and research community⁵⁰ found that:

- For each £1 spent by JISC on the provision of e-resources, the return to the community in value of time saved in information gathering is at least £18.
- For every £1 of the JISC services budget, the education and research community receives £9 of demonstrable value.
- For every £1 JISC spent on securing national agreements for e-resources, the saving to the community was more than £26.

As JISC has grown it has developed different elements, including JISC Advance (which provides advice, coordination and development of innovative technology) and JISC Collections (which procures digital content and negotiates with publishers of digital content).

The 2009 value for money reports on JISC Advance⁵¹ and JISC Collections⁵² found that:

- JISC Collections saved the UK academic community £43 million between August 2007 and 2008 on an expenditure of £1.25 million. This means that for every £1 funding to the Collections team, the community received services with a commercial value of over £34 (an increase from £26 in 2006).
- For total public funding of just under £3.4 million in 2008/09, JISC Advance delivered savings to the value of £41.5 million. This represents a saving of £12.25 for every £1 invested.

JISC has recently undergone a review of its strategy, activities and effectiveness to ensure it can continue to support the sector on a sustainable footing and meet new challenges.

49 With thanks to UCEA. Adapted from UCEA research in progress.

50 Cooke R *The Value of the Joint Information Systems Committee (JISC) to Further and Higher Education* Bristol: JISC

51 JISC 'JISC Advance value for money report 2008/09'

52 JISC 'JISC Collections value for money report 2008/09'

Both HEFCE and JISC have further supported the development of shared services through funding feasibility studies and pilot projects. Since March 2007⁵³ a total of 49 feasibility studies have been supported by HEFCE.⁵⁴ Of these:

- Thirty studies concluded that there is a case for a shared service.
- Seventeen studies concluded that there is no case for a shared service, or that a shared service is not viable.
- Two studies are yet to report.
- A total of 16 further projects have been funded, including more detailed feasibility studies and pilot projects.

The potential returns for effective shared services, when a need and business case can be robustly presented, can be significant. Three examples of HEFCE investment, along with the efficiencies they are expected to deliver, are summarised in Figure 8:⁵⁵

Figure 8: Shared services projects supported by HEFCE

Lead institution/organisation	Project title	Funding awarded	Efficiencies
Northumbria University on behalf of the North East Midlands Metropolitan Area Network (NorMAN)	Extended Hours IT User Support for Students and Staff	£150,000 to roll out service more widely	Annual benefit per institution of between £556,000 and £1,346,000, depending on level of staffing assumed. Efficiencies total £834,000 for financial year 2009-10
University of Nottingham on behalf of the East Midlands Metropolitan Area Network (EMMAN)	Shared Information Security Service	£125,000 to establish the service	£78,000 per institution per annum compared to like-for-like in-house (non-shared) service provision. Efficiencies total £624,000 for academic year 2009-10
London School of Economics and Political Science	A shared research data service for the UK	£150,000 to cover cost of the pre-implementation	Pilot efficiencies estimated as £11.15m (reported as a conservative figure) over five years. Project being taken forward as part of the UMF Shared Services Pilot Scheme

While these examples focus on shared services being developed within the higher education sector, institutions are also looking beyond their peers and into the wider community for potential partners. For example, in a recent study supported by JISC, the University of Plymouth identified potential opportunities in partnership with local government.

53 See HEFCE, B11/67

54 See <http://www.hefce.ac.uk/finance/shared/feasibility/> for details of feasibility studies.

55 See HEFCE B11/67

Delivering cost savings from shared services

The University of Plymouth and Plymouth City Council have the potential to make cost savings in the order of £1.7 million per annum by sharing parts of their ICT infrastructure and support services.

Under project HELASS (Higher Education & Local Authority Shared Services, JISC investment: £90,000) the University of Plymouth, Plymouth City Council and Serco Limited have been working in partnership to explore the feasibility of developing a shared services framework for ICT infrastructure and support services as a way of cutting costs and of improving service quality and efficiency for the delivery of back office and front end facilities.

Their analysis identified 45 opportunities for shared services, and of these, a set of seven were identified as potential 'early adopter' opportunities. Of these seven, two were chosen as the first two services to be taken forward for the development of detailed business cases. Initial cost-benefit analysis has estimated that financial benefits are achievable within three years and that the combined savings could be in the order of £1.7 million per year.

Barriers to more effective sharing

In spite of these developments the sector has been slow to make significant advances in implementing shared services, and many initiatives are still only at the development or feasibility stage. A number of barriers have been posited as reasons for the relatively slow development of shared services in higher education, including:

- the difficulty of collaborating in a competitive higher education system
- the culture of autonomy prevalent in higher education institutions, which works against effective collaboration even where this presents significant benefits
- the lack of appropriate cost data and benchmarks (making it difficult to make a clear business case)
- the additional VAT liability incurred on moving in-house services to shared
- lack of easily assessable information on the challenges, risks and good practice in sharing services

Each of these are examined in more detail below.

Enhancing effectiveness through sharing in a competitive environment

In higher education, a strong sense of institutional autonomy and the emergence of a more competitive environment are often perceived as reasons for not sharing services.⁵⁶ This is especially the case when discussing potential collaboration in areas that are understood to provide competitive advantage. For example, a specialist ICT system may deliver such an advantage, hence the decision to retain capacity in-house is understandable. However, this does not mean that aspects of ICT provision, including the maintenance of systems, aspects of process management or technical support might not be served through alternative means.

⁵⁶ PricewaterhouseCoopers (2010) 'Review of operational efficiency projects in the UK Higher Education sector' (work commissioned by Universities UK)

In the private sector, efficiency measures (which include shared services and outsourcing) are implemented to help companies increase competitiveness through better control of resources. This could mean the implementation of shared services within a complex global company that has numerous business units, but also includes the standardisation of processes and the development of shared services between competing businesses, and indeed across whole sectors. The case studies below demonstrate how the private sector has sought to develop collaborative solutions that reduce duplication and improve the quality of experience for users within a competitive environment.

Mobile phone industry

The mobile phone industry is one of the most competitive global industries. Mobile phone manufacturers offer a relatively common product to the market, with relatively minor differentiations between products. The operating environment is notoriously difficult, with profit margins incredibly hard to protect and maintain. Despite this, the manufacturers, working with the EU, have agreed to use a single, common mobile phone charger across the European market. This agreement will lessen the industry's cost base and environmental footprint as well as having a considerable ease of use benefit to industry customers.

The manufacturers, who remain fiercely competitive and protective of their own brand, concluded that a common, shared 'support service' (the charging mechanism) would not detract from individual brands or diminish the competitive environment. The manufacturers will work closely together to achieve this common charging system to achieve considerable environmental and customer benefits.

This is an example of collaboration within a competitive operating environment. In spite of competitive differences, the industry has identified an area where a standardised process reduces costs, allows rival companies to benefit from economies of scale and improves the customer experience, all from collaborating in an area that provides no competitive advantage.

Amadeus – Increased competitiveness leading to greater standardisation and shared solutions in the travel industry

Amadeus is the world leader in the provision of IT solutions to the travel industry to manage the distribution and selling of travel services. Formed in 1987 by an alliance between Air France, Lufthansa, Iberia Airlines and Scandinavian Airlines, it is today the leader in terms of the number of bookings worldwide. It processes more than 366 million transactions per day, making it the world's second largest e-commerce travel site.

The company started as a shared service between airlines which came together to harness the potential of new technology and reduce costs. But the changes in global travel led to its success in becoming a leading provider, which now operates as a successful global and independent business. Its offer is crucial within this highly competitive sector in terms of streamlining processes across the industry, cutting the cost of operations and achieving a global footprint.

This example illustrates a type of shared services development in an industry where there is competition and intense pressure to achieve growth and profitability. This industry is also characterised by the rapid development of new business models (such as low cost airlines and new revenue generation through charging for previously free services), and changes in the patterns of global travel. This has resulted in the need for the whole industry to standardise and share services that had previously not been shared.

These examples demonstrate how, in competitive environments, shared solutions and standard processes enable organisations to focus efforts in areas where they can achieve a competitive advantage, and in doing so improve the consumer experience. Whilst institutions will need to have due consideration for their own brand and reputation there should be a greater focus on exploring collaborative activities in those areas where they are not in competition and where institutional autonomy is not threatened.

Recommendation 7: Building on the work HEFCE has already done to support shared services in the sector, further guidance should be developed which identifies a series of 'non-competitive' areas where more extensive sharing of operational services can be developed and promoted. This work could be taken forward by HEFCE and UUK.

Recommendation 8: The Task Group recommends that institutions preparing to collaborate with others to deliver services should also consider options for partnership outside of the sector – such as with other public sector bodies – where this is appropriate. The efficiency hub proposed in Recommendation 6 should help the sector to identify opportunities outside of higher education.

The importance of data and benchmarking

For shared services to work, their planning and implementation must be based on reliable data. Baselineing of the current position against appropriate 'best practice' models are prerequisites for developing effective shared services. It is essential to have an accurate view of baseline data *before* starting shared service planning and implementation. This enables the costs and benefits of the move to be accurately measured. The case study below illustrates how a private sector organisation has used benchmarking to establish the scope for the development of a shared service.

Baselineing costs as a precursor to developing shared services in the private sector

A FTSE 100 fast moving consumer goods (FMCG) organisation wanted to establish a baseline of efficiency and service delivery levels within its HR shared service (HRSS) function and to understand how their own performance compared with other best practice functions operating the same model.

In order to achieve this the company:

- aligned its key performance measures and metrics to be in line with industry standard definitions to ensure consistency
- reviewed and analysed each HR process in terms of cost and resource to deliver process effectiveness and quality of service
- identified a number of performance gaps through analysis of data in comparison with external best practice
- developed a future state HR shared service model that maximised the potential for internal process improvement

Through this process the company:

- identified an opportunity for savings of over £18 million, from the overall spend of just over £26 million
- identified savings across all HR processes, including payroll admin, learning and development, employee hire and employment contracts
- identified potential savings of nearly 70 per cent when compared to external best practice

The baselineing exercise provided a guide to what it is possible to achieve. This has helped to inform the investment decisions necessary to take the efficiency work forward.

Proposals to improve data and develop benchmarking covered elsewhere in this report will support higher education institutions in the process of further developing shared services.

VAT

VAT has been the most widely discussed barrier in relation to shared services, as current legislation provides a disincentive to move operational functions into cost-sharing arrangements.⁵⁷ An existing EU directive providing an exemption from the tax where a shared service is developed between tax-exempt organisations has yet to be implemented in the UK. Although a mandatory exemption, until recently there had been little call for the directive to be implemented and the various ways in which it has been interpreted across other EU member states has raised questions over how it should be applied in the UK. As such, if a higher education institution moves in-house services in to a shared service, then this must generate efficiencies at the current rate of VAT (20 per cent) to break even, increasing risk and reducing potential returns. While mechanisms exist that may allow organisations to work within existing tax rules to continue benefitting from the exemption that applies to in-house services, these can be complex and open to challenge by tax authorities.

Following a welcome period of engagement with the higher education sector (and other stakeholders) the Treasury has now opened a public consultation⁵⁸ on the adoption of the mandatory EU directive on cost sharing. This could provide a framework for enabling tax-efficient partnerships between institutions to develop. The Task Group strongly supports this development. Universities UK would urge institutions to respond to this consultation where appropriate (the consultation closes on 30 September 2011). In terms of a response on behalf of the sector, the British Universities Finance Directors Group (which has worked with both the Treasury and HM Revenue and Customs to prior to the consultation announcement) will be making a detailed evidence-based submission.

Recommendation 9: The Government should implement the EU VAT exemption on cost sharing, and work with the sector to develop mechanisms that can incentivise the development of shared services. The recent HM Treasury consultation on the EU VAT exemption was a positive step. BUFDDG should continue to lead on providing robust evidence to this process.

57 Copenhagen Economics (2011) *VAT in the public sector and exemptions in the public interest* Copenhagen: Copenhagen Economics

58 See: http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&pageLabel=pageLibrary_ConsultationDocuments&propertyType=document&columns=1&id=HMCE_PROD1_031398

Risks, challenges and good practice in sharing services

Transformation programmes in any sector can be difficult and may yield mixed results. However, if they are implemented well, it is not uncommon for organisations to realise significant savings, which are often dependent on the maturity of the services being shared, the efficiency of processes within organisations and the type of organisational structures involved in the collaboration.

Successful shared services leverage the scale of the enterprise, capitalise on skills and resources within, and enhance the quality of service to users. Preventing costs from spiralling during implementation and ensuring that the focus remains on delivering benefits through staff engagement influences the successful adoption of shared services. This process requires commitment from senior leaders to deliver organisational change, and a key part of this leadership will involve engaging the workforce – particularly those responsible for managing the targeted functions at an early stage of the development process. This will help to identify potential issues that may arise during the transitional phase. As research on operational efficiency and shared services in different sectors has shown, successful implementation of such schemes requires:

- leadership at a senior level, with suitable governance arrangements in place
- clear, timely and tailored communications with all staff affected by the proposed changes
- good information on the impacts and opportunities that changes will have on employees, staff development and established career paths
- continuous improvement and a commitment to improving quality to be embedded within organisational culture
- a focus on delivering benefits and managing risk in a sustainable manner

There are also significant challenges associated with the development and implementation of shared services. The most frequent challenges include:

- managing potential conflict between business units and back office functions given the requirement for joint decision making on investments and prioritisation
- reduced control of resources within business units
- cross-functional agreement of data architecture, for example data definitions and ownership
- increased mobility of staff to support a standardised, process-led operating model
- developing staff with capabilities to support new ways of working
- aligning reward and performance management processes with required behaviours and ways of working
- implementing common management processes, for example a common performance framework, service level agreements, effective internal controls and risk management

Links to current resources and further 'how to' guides on developing shared services and managing change should be developed and made available through the efficiency hub proposed in Recommendation 6.

5.4 Outsourcing to support institutional change

Outsourcing can be seen as a progression of shared services, leading to the provision of services by business units that are entirely removed from the institution, or provided through a partnership arrangement.

While many higher education institutions have shown an interest in outsourcing, with arrangements used to deliver institutional services or to support internal functions, research commissioned by Universities UK suggests that initial experiences have often proved to be unsatisfactory, with either poor service or lower than anticipated savings limiting the appetite for further developments. However, the Task Group believes that outsourcing continues to present significant opportunities for the sector.

Commercial service providers have become increasingly aware of customer needs and have developed more appropriate mechanisms for understanding non-traditional markets such as higher education. Competition between suppliers and the diverse needs of customers has created a number of business models through which outsourced services can be provided. For example, joint ventures between the private and public sectors have, in the right circumstances, proven to be innovative and effective ways of leveraging investment and improving available services, not just reducing costs. An example can be seen in the University Partnerships Programme (UPP) case study presented below. Joint ventures rely on establishing a long-term commitment and well-managed relationship and move beyond traditional service level agreements. To fully exploit the potential of such opportunities, institutions need to ensure that they have the capability and capacity to procure services which are appropriate for their needs and which contribute to their overall institutional strategy.

While cost reduction is a clear motive, factors influencing the decision to outsource are often more nuanced, and focusing on improving quality and supporting the core strategic activities of the business are equally important.

The box below summarises the key drivers for outsourcing, as presented in two separate pieces of research:

Six key drivers for outsourcing services:⁵⁹

The list below was drawn from work commissioned by Universities UK as part of the Task Group's work.

- Cost reduction
- Improving quality
- Focusing on core capabilities
- Accessing market-leading talent
- Partnering to increase innovation
- Reducing time to market

Top six drivers for outsourcing in the private sector:⁶⁰

The following data was drawn from a survey of private sector businesses in the UK and USA.

- Ensure cost discipline and control
 - Aim to achieve best practice
 - Improve service quality
 - Focus on core competencies
 - Ensure capability to develop new products and services
 - Ensure cost discipline and control
-

⁵⁹ PricewaterhouseCoopers (2011) 'Cross sector analysis of operational efficiency' (work commissioned by Universities UK)
⁶⁰ Based on Kakabadse et al (2005) 'Trends in Outsourcing: Contrasting USA and Europe' in Copenhagen Economics (2011) p.26

In order to develop a business case for outsourcing it is important to benchmark an activity or function to gauge the benefits that could be realised and to help establish the KPIs through which the effectiveness of an outsourcing relationship can be evaluated. For higher education this could include both quantitative (for example cost) and qualitative (for example user satisfaction) benchmarks. Suppliers of outsourced services also base costs on a clear understanding of the risks involved, not only the service being tendered, hence robust data, clear internal processes and an understanding of the relationship between the service being targeted and wider strategic objectives are needed.

Strategic approaches to outsourcing

The higher education sector has in recent years seen the development of a more strategic approach to outsourcing which has brought in private sector funding and released resources for investment, delivered improvements to service quality and generated significant efficiencies. Two prime examples lie in the fields of student accommodation and IT provision, yet there is also considerable experience within the sector of commercial providers such as Unite and Opal delivering on-campus services such as facilities management, security and student support.

Student accommodation

The University Partnerships Programme (UPP) is a private provider of on-campus academic and residential infrastructure and asset management services to the higher education sector. Working closely and in long-term partnerships a range of services, including the development of new student accommodation and academic facilities, specialist asset management services and the refurbishment of existing premises, can be supported. These solutions have enabled private sector funding to address a backlog maintenance requirement of approximately £3 billion which exists across the existing higher education estate.

This model provides universities with the opportunity to ring fence the risks associated with the development and operation of university infrastructure, transferring these to a private sector partner. This in turn allows these universities to release capital for investment in other areas. Over the last decade, the UPP approach to estates development and management has released over £1.2 billion of private investment into the sector, with plans to invest a further £1 billion over the course of the next three years. The following case study provides an overview of the UPP process.

The University Partnerships Programme model

UPP has established bespoke, long-term partnerships with universities offering the opportunity to transfer the risks associated with funding, design, build, operation and residential management of campus infrastructure. To fund these developments, debt is secured solely against the project cash flows and without recourse to the university. This means that such schemes are delivered at no cost to the parent institution and at the end of the lease are handed back in good condition. The UPP business model is not based on the ownership of the physical asset but on secure long-term income streams from student and university rental income over typical periods of between 40 to 50 years.

At the University of Kent, a £23 million on-campus student accommodation project is currently underway. This project will be UPP's second development at Kent and will increase total investment at the University to over £50 million since 2007. UPP will fund, design, develop and operate the new 495-room scheme. Once completed, UPP will have delivered over 1,000 new on-campus rooms for the University. This scheme follows the award-winning Eco Residence model of sustainable development. By using environmentally-friendly products and off-site construction methods, this approach can reduce the carbon footprint of the build by 30 per cent. The model has therefore enabled significant investment in high quality student accommodation and helped support the sustainability agenda, while the risk associated with the investment remains with the outsourcing partner.

Information technology

As the use of technology changes the educational experience, the costs involved in maintaining up-to-date systems and facilities can be challenging. Approaches such as cloud computing present the sector with new opportunities to manage these costs and maintain quality.

The University Modernisation Fund, administered by HEFCE, is supporting the development of a sector-based cloud computing facility that will enable universities to benefit from a range of innovative resources. These include simple data storage in secure off-site servers, and more comprehensive suites of applications, support and environment management. Cloud computing can deliver significant benefits in terms of cost, although institutions will need to make strategic decisions about what aspects of their ICT provision need to be managed in house, and where to outsource.

The University Modernisation Fund Cloud Pilot⁶¹

In February 2011 HEFCE and JISC announced a £12.5 million fund to support the delivery of cloud-based services for UK education and research. The University Modernisation Fund (UMF) aims to help universities and colleges deliver better efficiency and value for money through shared services.

As part of this project Eduserv, a not-for-profit body dedicated to working with higher education and government, is providing the pilot cloud infrastructure. The benefits that this will enable UK education and research to take advantage of include:

- reduced IT costs
- access to a wide range of shared resources
- speed and scale of deployment
- high levels of security and performance
- an innovative environment for new services

The UMF Cloud Pilot is being designed specifically for universities to provide:

- on-demand self-service access to a range of computer and storage services
- flexible payment models, including pay-as-you-go
- services available directly on the JANET network
- high capacity file storage
- ongoing management and support of this infrastructure and its users

The UMF Cloud Pilot is intended to reduce the amount of time and money universities spend on developing plans and business cases for in-house data centre infrastructure and will be offered to the wider education community to support academic and administrative computing needs, particularly around research.

⁶¹ See: <http://www.eduserv.org.uk/hosting/cloud-computing/umf-cloud-pilot>

Both Google and Microsoft provide a range of services for educational institutions considering outsourcing ICT provision, with the competition between these major rivals having led to the provision of off-site email services offered to universities for free.⁶² The possibility of linking these to other cloud-based applications which enable collaborative working from remote locations provides further opportunities. The Google case study highlights the benefits delivered to one institution.

Strategic outsourcing in ICT: Google and cloud computing⁶³

The University of Westminster estimates it avoided a spend of £1 million by moving to the cloud, cutting expenditure on new hardware and software upgrades. An additional benefit has been the reduced time spent on systems and user support, with a minimal number of calls for support for such a significant system.

What they wanted to do:

- Provide students and staff with an ICT system that promoted collaboration and creativity
- Deliver immediate savings and return on investment
- Increase email storage

What they did:

- Implemented Google Apps across the whole organisation and collaborated with the students' union to provide an educational campaign to accelerate uptake
- Made available a rich environment of tools and institutional data for student-led contributions and development

What they accomplished:

- Saved an estimated £1 million to date on ICT costs
- Students and staff now have access to a virtual platform for learning and collaborative working
- Dramatically improved email storage capabilities

It has been estimated that between 70 and 80 per cent of institutional ICT budgets and staff time are dedicated to maintaining servers and services, which can leave little space for investment. Importantly, the costs for managing and maintaining email servers can be largely removed, while the offer for learners – in terms of data storage capacity and collaborative and flexible working – is improved. Beyond this, moving to shared or outsourced cloud services has two potential advantages. First, the need to invest heavily in new technology 'just to stand still' in areas that deliver little competitive advantage can be minimised, and resources diverted in to developing services and facilities that enable differentiation. Secondly, the costs – especially in terms of energy – are also greatly reduced by moving to off-site and shared (or outsourced) facilities. This improved efficiency can help to significantly reduce energy costs and, importantly, support the sustainability agenda and lower the carbon footprint. One way of incentivising moves towards more efficient and cost-effective ICT facilities could be to develop mechanisms that allow for some of the savings in energy costs to be reinvested in this area.

62 Clark M, Ferrell G, Hopkins P (2011) *Study of early adopters of shared services and cloud computing within Higher and Further Education* Newcastle-upon-Tyne: HE Associates Ltd. p.68

63 See: <http://www.google.com/apps/intl/en/edu/university.html>

Recommendation 10: Developing and implementing new ICT systems and facilities can play an important role in reducing energy costs and lowering carbon emissions, with energy savings from more efficient ICT solutions (including outsourcing) having a considerable impact. The Task Group recommends that institutional leaders explore ways to incentivise such developments where they support improved quality and services. The Task Group would also support the development of a good practice guide developed in collaboration between the Association of University Directors of Estates (AUDE), BUFDG and the Universities and Colleges Information Systems Association (UCISA).

As these examples demonstrate, there are innovative ways of drawing on the expertise of private sector companies that can help institutions to enhance the quality of facilities and service they can offer to students. The two outsourced solutions described here lead to provision that is in line with the increased demands of students, helps to support other critical agendas (in both cases, sustainability and carbon reduction are addressed) and reduces the financial burden on the host institutions. In both cases, the outsourcing provider has access to technology, skills and approaches that would almost certainly be out of reach to institutions alone, should the facility be developed in-house.

Clearly, there are risks to any outsourcing relationship, and the question of management skills is one that needs due consideration, as does ensuring appropriate procurement expertise exists to ensure that the most suitable vendor is chosen, and the agreed solution fulfils all of the university's requirements. The approaches highlighted in this report involve longer-term commitments than with traditional outsourcing agreements, and a focus on delivering more than just transactional processes through outsourcing. Therefore, while the risks can be higher, the potential benefits that may accrue can be significant.

Fundamental to ensuring the quality of any outsourced service are evaluation and performance management. There also needs to be an acute awareness of how costs develop over time, and what the total cost envelope for outsourced services is over the course of a particular contract.

Recommendation 11: The Task Group notes that there are significant opportunities for institutions to employ outsourcing to deliver efficiencies and improve service quality, particularly (for example) in aspects of ICT provision and student accommodation. The Task Group recommends the following:

- Institutions should ensure that partnership approaches to outsourcing are considered as a normal part of their strategic planning.
- Institutions should focus on the development of management systems, procurement expertise and vendor management skills to get the most from outsourcing opportunities. In the medium term, LFHE and the proposed Academy for Procurement in Higher Education, noted in Recommendation 12, should work to establish a good practice framework and training programme to help institutions ensure they have appropriate capacity and capability in this area.

6. Procurement as a strategic asset

Procurement is concerned with delivering value for money and ensuring that organisations access the goods, services and works they need in order to fulfil their strategic objectives. Effective procurement, making better use of collaborative solutions and developing in-house capability and capacity helps to ensure that maximum value is realised from available resources.

Recently, procurement has moved to the fore both in business and in the public sector, as reducing costs and releasing resource to support core activities becomes increasingly important. Leveraging the purchasing power of the state has been at the heart of government approaches to improving public sector efficiency, and is currently central to the work of the Efficiency Reform Group (ERG). As John Collington, the newly-appointed Head of Procurement within the ERG has argued,⁶⁴

There has never been a greater need for smarter, aggregated approaches to Government spending on commodities. Financial challenges faced by departments means it is imperative solutions are acted upon quickly.

Similarly, business has increasingly looked to procurement experts to manage costs and support organisational change in a challenging fiscal environment:⁶⁵

Leading organizations are still reeling under the effects and after-effects of the global economic downturn. Companies across industries and regions have sharply cut down spending and are reviewing ways to ease pressure on their margins ... As focus on costs and revenues increase, Procurement function has found itself to be in the cross-hairs of the executive management.

As such, both publicly funded sectors and private sector business are exploring new and innovative ways to ensure that they get the best out of procurement. In this context the Task Group sought to explore the ways in which better use of procurement might support the efficiency agenda. This section introduces current developments and suggests ways in which the sector might further develop.⁶⁶ A number of issues are dealt with in this section and a number recommendations are brought together at the end.

6.1 Collaborative procurement in UK higher education

There is considerable diversity in the higher education sector and the range of collaborative purchasing mechanisms reflects this. Four regional, English-based consortia serve the needs of institutions in England, Wales and Northern Ireland, while Scotland has a single procurement body that is empowered to act on behalf of all universities and further education colleges. In Wales, institutions are also supported by a consortium that operates through existing institutional routes, and there are also a number of commodity- and activity-specific groups that support the sector. The different systems reflect the different political context in which each developed, while the recent merging of the professional bodies the British Universities Finance Directors Group (BUFDG) and the Association of University Procurement Officers (AUPO), with the latter now an executive group of BUFDG, has shown a willingness to engage with the efficiency agenda and to develop closer relationships between finance and procurement functions.

⁶⁴ John Collington in Cabinet Office press release, 11 August 2010: <http://www.cabinetoffice.gov.uk/news/john-collington-head-government-drive-cut-cost-procurement>

⁶⁵ Global eProcure (2011) *Making room for 2011's new procurement initiatives* NJ, USA: Global eProcure

⁶⁶ The work presented here has been supported by a range of procurement professionals from higher education, relevant professional bodies and expertise from outside the sector. A round table discussion took place during which the key challenges were debated and possible solutions outlined. The membership of the round table is included in Annexe C. This section was also informed by the work of the Strategic Procurement Group for Higher Education (SPG).

The procurement body responsible for directing operations in Scotland is Advanced Procurement for Universities and Colleges (APUC), which was established following the McClelland review of public sector procurement in 2006. APUC was set up to work with members to embed good practice within universities and colleges, and to increase the value for money that could be leveraged from institutions' procurement expenditure. It aims to maximise the contribution that procurement can make to investment in teaching, research and knowledge transfer, ensuring that resources are best utilised to underpin the 'core' activities of the sector.

While the creation of APUC was mandated, the organisation operates without a mandate, as such. By adjusting its delivery model and tailoring it to the sector's varying needs, it has obtained a strength of empowerment that is akin to a mandate.

Advanced Procurement for Universities and Colleges

Advanced Procurement for Universities and Colleges (APUC) is the procurement centre of expertise for Scotland's universities and colleges. It was formed as the sector's representative body in matters related to procurement, to provide best practice guidance and support, and to lead and facilitate collaborative contracting for client institutions.

Operational objectives

- To operate as a centre of expertise to support client institutions in delivering advanced procurement performance in line with the McClelland review recommendations
- To operate as a representative body for the university and college sectors in Scotland in matters related to procurement
- To offer comprehensive implementation and support for utilisation of e-procurement solutions
- To increase the level of procurement expertise and capacity to universities and colleges and assist in further development of the skills already in place
- To support the development of strengthened collaborative procurement
- To provide and facilitate a comprehensive suite of collaborative agreements
- To provide procurement services at varying levels, including high-value tender support and institutional-level procurement resources on a shared service basis, across the client community

Achievements and benefits

- The PECOS e-procurement system has been implemented in 47 institutions. APUC now supports these institutions in the ongoing use of PECOS, and additionally supports several other institutions in implementing and using Parabilis.
- The sector has benefited from over £10 million per year of total cashable and non-cashable benefits from the use of collaborative contracting.⁶⁷
- APUC College Support works on higher value for specific institutions. Nearly 50 projects in 20 colleges were completed with an annual value of £5.8 million.
- Fifty institution-level projects are in progress with an annual value of £7.5 million. Additionally, a further 51 projects are planned for, with an annual value of £13.3 million. These are managed wherever possible to provide knowledge transfer to client institutions throughout the support process.

⁶⁷ Savings are based on the low benchmark of 'versus previous price paid' as opposed to 'versus market', which is the more common methodology across the public sector. Savings 'versus market' would generally double or treble these savings figures depending on the category concerned.

The development of APUC was also supported by a significant level of investment.

APUC and the English-based consortia have also developed more effective collaborative arrangements, which have helped to reduce duplication. Across the UK, collaborative procurement is undertaken by the following regional consortia:

- Higher Education Purchasing Consortium, Wales (HEPCW)
- London Universities Purchasing Consortium (LUPC)
- North Eastern Universities Purchasing Consortium (NEUPC)
- North Western Universities Purchasing Consortium (NWUPC)
- Southern Universities Purchasing Consortium (SUPC)

While the consortia have different forms of governance and business models, the benefits that accrue to their members are significant, and the returns on investment have been improving over time.

Southern Universities Purchasing Consortium

The Southern Universities Purchasing Consortium (SUPC) has 113 members, and provides support in collaborative procurement for a diverse range of universities and further education colleges.

Last year, SUPC delivered over £30 million of savings on a total collaborative spend of over £200 million. The service provided by SUPC covers a range of goods and services – from laboratory equipment and stationery to insurance and recruitment services. Importantly, positive developments over time can also be seen: since 2005/06, savings have nearly doubled (from £16million) and the return on investment for members has grown from 53:1 to 73:1.

These results are typical of the four regional consortia in England. Many of the supply agreements are shared and resources pooled to maximise scale economies and reduce costs.

Higher Education Purchasing Consortium, Wales

The Higher Education Purchasing Consortium, Wales (HEPCW) has 13 members, and provides support in collaborative procurement for a diverse range of universities and further education colleges. It proactively represents the higher education sector on a broad range of initiatives led by the Welsh Government which seek to optimise value for Welsh citizens through collaborative procurement.

Within the sector, in 2009/10 HEPCW members addressed approximately £40 million of spend via collaborative agreements, which delivered savings of £5.8 million. By comparison, in 2006/07 expenditure via collaborative agreements was £24 million, which delivered savings of £3.9 million.

Figures supplied to HEFCE⁶⁸ show that in academic year 2008/09 £68.82 million of savings were delivered by the regional purchasing consortia to English higher education institutions.

A range of other collaborative arrangements are also in place. For example, national working parties look to leverage better value in areas such as photocopying, vehicle hire, laboratory supplies and computers, and The Energy Consortium (TEC), a not-for-profit company providing a range of energy procurement services to its members from within the further and higher education sectors, has been acting on behalf of its higher education members for over 15 years. In academic year 2008/09 TEC products saved the sector £5.94 million, while new initiatives funded by HEFCE to develop e-procurement systems for large universities and a generic e-marketplace for smaller institutions should also deliver clear benefits.

Recent moves to develop a more joined-up approach to procurement in English higher education have advanced with the development of English National Procurement (ENP), a multi-disciplinary stakeholder forum and steering group accountable to universities and colleges, providing a recognised 'concentration of expertise' for higher education procurement. The group brings together a range of procurement experts and bodies, and looks to deliver a strategy based on:

- a single, clear, integrated procurement framework and approach for all stakeholders
- increased market influence with supply arrangements delivering cashable savings
- support for institutions in improving their cost control
- wider use of technology to improve back office efficiency and evidence-based decision making
- a broader spectrum of goods and services, yielding additional cashable savings
- increased influence through the delivery of advanced procurement
- increased procurement capacity, capability and agility across the framework
- support for shared services programmes across the sector
- the leadership and support of senior management in higher education

While a positive development, ENP does not have the power or strategically-managed control over resources to act directly on behalf of the sector in England. A collaborative procurement function empowered and properly resourced to act on behalf of the higher education sector in England as a whole, in a similar way to APUC, could reap significant dividends and enable the size of the sector to be used to ensure maximum value for money. It should also be asked whether a fully UK-wide procurement function could not also be developed, building on the great strides forward in collaboration between the existing consortia in England, Wales and Scotland that have been made.

A streamlined approach to collaborative procurement across the UK higher education sector could yield significant benefits, benefits which may only be fully realised if the same, agreed standards can be applied across the whole sector. For example, the need to develop better data in relation to commodity costs would require existing bodies to develop better aligned systems, and ENP could be a catalyst for developing a joined-up and effective procurement function.

⁶⁸ The higher education regional purchasing consortia have members from other sectors (such as further education colleges) as well as from the higher education sector. Only the savings made for higher education institutions are declared here. Source: HEFCE briefing to the Efficiency and Modernisation Task Group

In Scotland, APUC experienced a challenging early development, but lessons have been drawn from this to deliver a well-regarded service to the further and higher education sectors. A number of key lessons emerge from this evolutionary process:

- The representative role APUC performs is critical as it gives the procurement community a voice at government level and allows it to showcase good practice.
- There are significant cash and value-added benefits to be had from a collaborative procurement programme combined with a strong focus on improving procurement capability across the client institution community.
- APUC found that working in partnership with client institutions is important to delivering value and success.
- There is huge diversity in the size and culture of institutions: a 'one size fits all' approach does not work. Solutions need to be tailored to meet individual needs.
- The delivery model of APUC initially had multiple layers, with, for example, multiple APUC staff members managing single tenders. This was found to be inappropriate and a leaner business model was introduced. This enabled an increase in outputs while substantially reducing operational costs (its operational budget was reduced by 59 per cent and staff numbers reduced by almost 50 per cent from July 2009 to July 2011).
- APUC originally had a low proportion of staff with institutional procurement experience, especially at a senior level. This caused problems in its early years. There is now a mix of people with higher and further education sector, public sector and private sector experience making up a balanced team.
- The use of capability assessments is bringing clear improvements to procurement across the sectors. Using these as a tool to support development, as opposed to an audit, is central to success and in being able to provide the direction for improvement, support, training and tools required to bring about sustained capability improvement.
- It is imperative that a shared collaborative procurement function is suitably resourced and has the empowerment, akin to a mandate, to act on behalf of the sector. The service must be continuously developed through dialogue with senior stakeholders across the sector.

From this, we can see that an advisory and representative function would be central to any England or UK-wide procurement body, as would a focus on developing in-house capabilities within institutions. However, such a body would need to be empowered by and through the relevant sectors to act on their behalf, and be resourced accordingly.

6.2 Developing capacity in procurement

The benefits of using professional expertise in procurement can be seen where commercial services are utilised to review in-house practices to deliver greater value for money. For example, as part of a wider review of procurement strategy, one institution drew upon professional support to improve the effectiveness of the procurement function. In terms of the return on investment, the savings delivered on specific areas of spend were significant.

The value of procurement expertise within higher education institutions

As part of a wider review which looked to overhaul the procurement processes within one institution, a professional procurement consultant was used to streamline internal processes and to maximise value for money from existing arrangements.

The process led to the introduction of new performance management systems and targets for response times. In the area of soft services provision, the consolidation of the supply chain and redefinition of procurement specifications led to a reduction in the number of suppliers from nine to three, which helped to reduce management, processing and administrative costs, and deliver benefits from economies of scale. On an investment of £14,000, this element of the project alone is expected to deliver £910,000 in savings. The same process, this time focusing on security provision, utilised similar mechanisms, with suppliers reduced from three to two and projected savings of £375,000 identified on an investment of £7,000.

This shows how using appropriate skills and expertise within universities can lead to significant savings, with the professional experience being used here to simplify internal processes and deliver demonstrable efficiency gains, releasing resources that can be used to support strategic priorities. While it is entirely possible to draw on professional expertise to deliver such benefits, it is important for high-level procurement skills to be retained within the sector – particularly if, as expected, greater use of shared services and outsourcing are expected to take place in the future. Here, the role of procurement professionals will be central to ensuring the value and effectiveness of such arrangements, while greater capacity in the wider higher education sector to understand the role that procurement can play in supporting institutional objectives is also needed. The Task Group therefore welcomes the offer from the Chartered Institute of Purchasing and Supply (CIPS), working with AUPO, to establish an Academy of Procurement for Higher Education. This will seek to identify the main skill needs of the sector and tailor appropriate training so that institutional leaders can improve capacity and capability of their procurement functions. This development could also work alongside the capability assessments that emerged as a recommendation of the SPG, and which have been completed in Scottish institutions for a second year; they are a mandatory process for Scottish higher education institutions, but have been received positively. The proposed Academy will work to identify learning and development needs in the sector, and appropriate training opportunities that will help to raise the quality of procurement skills available within institutions.

6.3 Strategic direction, competition and targets

There is also a need to ensure that procurement activities across the UK benefit from more joined-up and strategic development. Until recently, the SPG hosted by Universities UK had worked to develop a 'vision' for procurement in the sector, and their work also led to the formation of ENP. In light of the new challenges facing the sector, and the need to ensure that institutions (and the sector as a whole) deliver the absolute best quality and value from the resources at hand, the Task Group recommends that the SPG be reconvened with a new membership, with a view to providing strategic leadership in procurement for the sector across the UK. We envisage that the reconvened SPG should be led by a vice-chancellor, and that representation (at chairman and operational director level) from the national procurement bodies in the UK regions (APUC, ENP, HEPCW) should be included, along with the relevant professional bodies. There is also an argument for involving expertise from outside the higher education sector, and would therefore suggest engagement with the Chartered Institute of Purchasing and Supply (CIPS).

It is also important that the proposed developments have challenging targets to provide an impetus for change. During sector engagement, procurement experts suggested that addressing 30 per cent of all non-pay spend through collaborative agreements represents a challenging yet realisable ambition, and one that could generate significant economies for the sector.⁶⁹ (Note that this figure does not take in to account additional efficiencies that would be expected through economies of scale if more extensive collaborative procurement practices were in place.)

While private sector experts suggest that more ambitious targets are desirable,⁷⁰ and given that the current level is in the range 10-12 per cent in England, we consider 30 per cent to be an appropriate, long-term stretch target, achievable with the right mandate and significant change within institutions. We also believe that this target should be reviewed on a regular basis to ensure that it remains challenging and, if appropriate, that the level should be increased over time. The higher education sector is not a single entity but a diverse group of independent organisations within a competitive environment, and as such there are a range of spend profiles, hence there can be no 'one size fits all' solution. The sector also has a significant level of high-value, unique-to-institution spend (particularly in research-intensive universities) where collaborative procurement is not always appropriate, and there may be strategic reasons for making use of local resources and suppliers over those obtainable through collaborative procurement mechanisms.

Recommendation 12: Developments in Scotland demonstrate the potential that can be realised from effective procurement. There have also been significant and positive developments in collaborative procurement in England in recent years, with a move toward more joined-up activity and thinking. However, the full potential of the sector to use its size and purchasing power to generate additional savings has not yet been realised. The Task Group therefore recommends the following:

69 The annual returns of the four regional consortia in England demonstrate savings of £79.5m on a total collaborative spend of £589m, though this figure includes some non-higher education spend. If a higher proportion of the £7.78bn of non-pay spend in higher education (2009/10) could be addressed through similarly effective arrangements, the returns to the sector would be significant.

70 These were in the order of 60-80 per cent, based on global companies with a similar total spend to the UK higher education sector.

- The Strategic Procurement Group (SPG) should be reconfigured to provide high-level leadership and strategic coordination for the development of procurement across the English, Northern Irish, Scottish and Welsh higher education sectors. This group should be established by spring 2012 and hold a first meeting by summer 2012. This will be led by UUK, in collaboration with the national procurement bodies of England and Northern Ireland, Scotland and Wales. The group should have a senior-level membership with a vice-chancellor as chair, and include expertise from the public and private sectors.
- A minimum target of 30 per cent of non-pay spend – to be addressed through effective collaborative arrangements – should be set for the English higher education sector, to be achieved within five years (this currently stands at around 10 per cent). This objective should be monitored and directed by the reconstituted SPG and increased over time where this is appropriate.
- The relevant sector bodies should work together to establish a model for England based on the Advanced Procurement for Universities and Colleges (APUC) in Scotland. English National Procurement (ENP) provides a good basis for developing this and ENP should, in consultation with the regional purchasing consortia, develop a rigorous action plan and time-line for how this objective could be achieved. This objective should be monitored and directed by the reconstituted SPG.
- The Task Group supports the proposal to establish an Academy for Procurement in Higher Education. This will serve to enhance expertise and capacity within the sector. This should be a medium-term objective to be taken forward by AUPO and the Chartered Institute of Purchasing and Supply (CIPS), in collaboration with the reconstituted SPG.

6.4 Regulation and procurement

The approach outlined above provides a framework for developing effective procurement in the higher education sector. These developments will help to ensure value for money, and will help to release resources that can be used to support core activities of teaching, learning and research. However, there are also regulatory changes that might help the sector to achieve more. At present, most institutions are subject to EU public sector regulations governing procurement as more than 50 per cent of their income derives from public sources. In light of the new student funding arrangements to be implemented in 2012 in England it could be argued that only the Resource Allocation and Budgeting (RAB) charge should be considered public funding. This interpretation could free institutions from these regulations, as the balance of student loans is considered private funding. This would allow for more flexible and mature procurement, reduce compliance costs and potentially generate efficiencies. Such an interpretation might also have an impact in other regulatory areas.

Recommendation 13: The Task Group recommends that the Government clarifies the proportion of graduate contributions that will be considered public funding.

7. Supporting efficiency through effective regulation

The higher education sector operates in a complex regulatory environment. As private organisations in receipt of public funding and with charitable status, universities are subject to a number of regulatory frameworks.

The Higher Education White Paper released in June 2011 announced the intention to review the regulatory framework governing higher education. Its objective is to streamline regulation and where possible reduce burdens placed on institutions, for example through the development of risk based approaches. Effective regulation is vital to the continued success of the UK higher education sector and the Task Group supports the review of current arrangements.

Earlier chapters of this report stated the need to review restrictions created by VAT, the need for clarification on competition law, and the potential benefits of releasing the sector from public sector procurement regulation. There are also additional areas of regulation where changes would have the potential to support more efficient operation in higher education.

The costs of regulation

The Higher Education Better Regulation Group (HEBRG) has been asked by the Government to review the regulatory landscape and to identify areas for potential deregulation. The Task Group supports this development, and recommends that the HEBRG provide a baseline figure on the costs of regulation against which further developments can be judged.

Recommendation 14: The Task Group recommends that the HEBRG estimate the costs of regulation to the higher education sector. The first estimates should be available by spring 2012 and should be part of an ongoing monitoring process.

Freedom of information

The Freedom of Information (Fol) Act applies to higher education institutions and while the Task Group supports the principle of transparency a very conservative estimate suggests that the cost of compliance to the sector is in the region of £10 million per annum. This figure relates solely to the direct staff costs involved with managing Fol requests, so in reality it could be significantly higher. The Task Group recommends that the sector takes the opportunity presented by Post-Legislative Scrutiny of Fol to examine these costs further and engage in dialogue with the Government about options for reducing the costs of compliance, which would free up valuable resources to support core activities.

Recommendation 15: The Task Group is concerned by the costs of Fol compliance to the higher education sector. The opportunity presented by Post-Legislative Scrutiny should be taken to instigate a programme of work to help understand these costs. This will provide an evidence base from which government can make informed decisions regarding any changes that need to be made in this area. This should be taken forward by UUK.

8. Monitoring and next steps

This report has provided an overview of efficiency developments within the higher education sector and, drawing extensively from other sectors, made a series of recommendations on how this can be further enhanced to ensure that institutions continue to be effective and provide value for money. Part of the strategy has been to promote greater transparency as a driver for efficiency, and it will be important that progress against the recommendations outlined in this report can be closely monitored and evaluated. The Task Group therefore propose the following:

Recommendation 16: Progress against the objectives described in this report should be regularly monitored at a national level. Universities UK should establish a high-level efficiency panel, which would include expertise from outside of the higher education sector, to regularly evaluate progress against the recommendations in this report and the associated implementation plan. This would include publishing a brief annual report summarising activities and progress against established objectives. The panel should also advise on further policy interventions and actions that would need to be put in place to ensure a continuous commitment to efficiency is embedded within the higher education sector.

The Task Group recognises that the original Terms of Reference for the Group established a focus on 'operational efficiency'. However, following extensive sector engagement it has been suggested that aspects of academic processes and practices need to be included if the sector is to fully address the efficiency agenda. Although the distinction between 'front-line' and 'back-office' is not a simple one, examination of this area could form a second phase to this work, as part of a continuous commitment to improvement.

Recommendation 17: The Task Group recommends that work on efficiency in academic practices and processes should be developed as a second phase to the recommendations outlined in this report.

9. Annexes

Annexe A

Efficiency and Modernisation Task Group: Terms of Reference

Task Group

The Efficiency and Modernisation Task Group was established to look at efficient operation in the sector. The overall purpose of the Group is to look at what drives efficiency in the sector, and then to analyse whether there are specific areas in which the sector can achieve large-scale cost reductions through more efficient operation. Membership is drawn from vice-chancellors, HEFCE, heads of the major operational groups, and from the private sector.

High level objectives

1. To identify the factors which drive efficient operation in the higher education sector
2. To assess the potential for introducing greater efficiency in operation. This includes examining developments and taking lessons from other comparable sectors
3. To identify the barriers to increased efficient operation, and to make recommendations on how these can be removed. A consideration of the cultural barriers and issues will be a crucial part of this objective
4. To seek to ensure that the sector provides value for money for the investment it receives, from both public and private sources

The primary focus of the Group's work is to look at efficiency in operation and services. This will involve examining how institutions can collaborate and share 'back office' functions. However, wider issues of whether efficiencies and savings could be achieved from large scale institutional collaboration and merger (for example in teaching and research) are not part of this work.

The areas which the Group will look at include:

1. Review of current activities in relation to efficient operation in the sector, and identification of existing work which can be built on
2. Data analysis: developing and introducing agreed benchmarks which can be used to monitor efficient operation in the sector. This includes establishing the baseline position with regard to operational efficiency in key areas
3. Administrative and back office functions, including development of shared services
4. Facilities, infrastructure, and asset utilisation
5. Human resources practice and strategy

Annexe B

Efficiency and Modernisation Task Group: Membership

Task Group membership

Alison Wild	Chair AHUA and Pro-Vice-Chancellor and University Secretary, Liverpool John Moores University
Andrew McConnell	Chair BUFDG and Director of Finance, University of Huddersfield
Chris Garside	Fujitsu
Derry Caleb	Chair AUDE and Director of Estates and Facilities, University of Surrey
Dr Chris Sexton	Chair UCISA
Jenny Bushrod	Chair AUPO and Head of Procurement, University of Plymouth
Matthew Knight	Chair-elect UHR and Director of Human Resources, University of Leeds
Professor Anton Muscatelli	Vice-Chancellor, University of Glasgow
Professor Caroline Gipps	Principal and Vice-Chancellor, University of Wolverhampton
Professor Ian Diamond	Vice Chancellor, University of Aberdeen (Chair)
Professor Julia King	Vice-Chancellor, Aston University
Professor Nick Foskett	Vice-Chancellor, Keele University
Steve Egan	Deputy Chief Executive, HEFCE

Sub-group membership

Chris Hale	Deputy Director of Policy, Universities UK
Greg Walker	Deputy Director, Higher Education Wales
Helen Fairfoul	Deputy Chief Executive, UCEA
Ian Lewis	Head of Finance, HEFCE
Jonathan Baldwin	Registrar, The University of Warwick
Jonathan Waller	Director of Information and Analysis, HESA
Karel Thomas	Executive Director, BUFDG
Paul Clark	Director of Policy, Universities UK (Chair)
Professor Ian Marshall	Deputy Vice-Chancellor (Academic), Coventry University
Professor Rosalyn Marshall	Vice-Principal (Resources and Development), Queen Margaret University
Rachael Bruce	Acting Director e-infrastructure, JISC

Annexe C

Round table discussion on procurement

As part of the work of the Efficiency and Modernisation Task Group, a round table discussion was hosted by Universities UK on 1 April 2011 to identify the potential for developments in higher education procurement. The session featured experts from within higher education and from the private sector.

Andy Davies	London Universities Purchasing Consortium
Angus Warren	Advanced Procurement for Universities and Colleges
Chris Hale	Universities UK (Chair)
Gerrard Chick	Chartered Institute for Procurement Specialists
Howard Allaway	Higher Education Purchasing Consortium, Wales
Ian Lewis	Higher Education Funding Council for England
Jamie Arrowsmith	Universities UK
Jenny Bushrod	University of Plymouth and Chair, AUPO
Matthew Bardell	Global eProcure
Matthew Jones	PricewaterhouseCoopers
Peter Hinton	English National Procurement
Tony Roy	KPMG

Annexe D

Reports commissioned to support the work of the Efficiency and Modernisation Task Group

Four additional reports were produced on behalf of the Task Group to inform the research and provide supporting evidence. These were:

- PricewaterhouseCoopers (2010) *Review of operational efficiency projects in the UK higher education sector*
- PricewaterhouseCoopers (2011) *Cross sector analysis of operational efficiency*
- Deloitte (2011) *Process standardisation study*
- KPMG (2011) *Analysis of costs in the HE sector – A report for Universities UK*

Annexe E

Stakeholders consulted as part of the Efficiency and Modernisation Task Group project

In addition to members of the Efficiency and Modernisation Task Group and sub-group, opinion and evidence was collected from a wide range of stakeholders. Representatives from the following institutions and organisations were consulted during the project:

1994 Group

Advanced Procurement for Universities and Colleges

Association of Colleges

Association of Heads of University Administration

Association of Managers in Higher Education Colleges

Association of University Directors of Estates

Association of University Procurement Officers [now an executive group of BUFDG]

Benchmarking in HE [AMHEC Benchmarking Project]

British University Finance Directors Group

Cabinet Office

Chartered Institute of Public Finance and Accountancy

Chartered Institute of Purchasing and Supply

Deloitte

Department for Business, Innovation and Skills

Efficiency Reform Group

Financial Sustainability Strategy Group

Global eProcure

Google

GuildHE

Higher Education Funding Council for England

Higher Education Purchasing Consortium, Wales

Higher Education Statistics Agency

Higher Education Wales

HM Revenue and Customs

HM Treasury

Joint Information Systems Committee

KPMG

Leadership Foundation for Higher Education

Million+

Nottingham Trent University

PricewaterhouseCoopers

Ricoh
Russell Group
Society of College, National and University Libraries
TRAC Development Group
Unite
Universities Alliance
Universities and Colleges Admissions Service
Universities Human Resources
Universities Scotland
University and Colleges Employers Association
University and Colleges Information Systems Association
University of Edinburgh
University of Exeter
University of London
University of Oxford
University of Warwick
University Partnerships Programme

As part of the commissioned work listed in Annexe D, the following institutions were consulted:

Aston University
Birkbeck College, University of London
De Montfort University
Keele University
Liverpool John Moores University
London South Bank University
Staffordshire University
Stranmills University College
University of Aberdeen
University of Cumbria
University of Essex
University of Exeter
University of Glasgow
University of Hertfordshire
University of Wolverhampton

