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The work of the Efficiency and Modernisation Task Group

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Context

- **Economic context**
 - Pressure on public finances impacting across UK HE.
 - In England, time-lag for new funding streams to come online.
 - New system for graduate contributions in England leading to changed student expectations and focus on value for money.
- **Political imperative**
 - Drivers from BIS
 - Broader public sector developments e.g. work of the Efficiency Reform Group (Ian Watmore)
- **Global perspective**
 - Increasing competition within tighter resource constraints ‘Higher Education in a world utterly changed: Doing more with less’ (OECD/IMHE, Sept 2010)



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The role of the Task Group

- **Major Drivers**
 - Effectiveness
 - Quality
- **Focus**
 - What drives efficiency in the sector,
 - Scope and extent of current developments,
 - Identify ways in which the sector has the potential to achieve further cost savings through more efficient operation
 - What needs to happen to bring change about.
- **Most work on operational efficiency (often termed ‘back office’).**



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In doing this we have sought to...

- **Help shape a new narrative**
 - Govt view of HE as inefficient, do not want this transferred to new funding system
 - We need to outline progress in sector
 - Acknowledge the need for/scope for further improvements in efficiency
 - Demonstrate the ability of the sector to lead the agenda
- **Understand, mediate and influence demands/expectations of stakeholders**
 - BIS
 - Students
 - Members
- **Provide a framework for action**
 - Recommendations
 - Time line
 - Suggest who leads on actions

Approach

- Four meetings
- Supporting subgroup set up to examine detail.
- Evidence developed in the following areas:
 - lessons for HE from public sector and relevant parts of private sector.
 - current developments in UK HE sector (shared services, national initiatives such as UMF etc).
 - Working with HESA on efficiency benchmarking project
 - prospects for process improvement and simplification in HEIs (e.g. finance systems, HR, procurement, IT infrastructure/support).
 - Expert round table on procurement.
 - Analysis of cost data in the sector.
- Dialogue with BIS, HM Treasury, Cabinet Office
- Dialogue with the sector (mission groups, professional bodies etc)



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The five work-streams

1. Review of current activities
2. The role of data and benchmarking
3. Examine scope for savings in key operational areas leading to continuous commitment to efficiency (key area of TG work)
4. Facilities, infrastructure, and asset utilisation
5. Human resources practice and strategy

Emerging findings (1)

1. Review

- Much good practice in sector – needs better dissemination (inc. beyond HE)
- Acute understanding of the need to act – linked to new funding environment
- Barriers and constraints exist: diversity and autonomy; HE cultures; regulatory constraints; social role of HE

2. Data & benchmarking

- Use of data & benchmarking to inform practice is limited
- There is a lack of clear and appropriate data on costs, difficult to calculate savings/benefits of efficiency work

3. Key operational areas

- Project has explored three key areas: process improvement, shared services & outsourcing; procurement; ICT
- Simplifying, streamlining & improving internal processes is the key area to address
- Shared services are being developed where appropriate but VAT remains a barrier



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Emerging findings (2)

3. Key operational areas (continued)

- Procurement is often not seen as a strategic part of HE but can support all activities
- Collaborative procurement on c. £590m of HE spend, savings c. £80m – on total non-pay spend of c. £8 billion, clearly opportunities for further development
- Quality the key to using ICT – not always savings but improves service, release staff time to work more effectively
- Opportunities in outsourcing IT, free provision from major companies (eg, Google)

4. Assets and estates

- Need to build on Wakeham to promote better use of HE assets
- AUDE to produce a paper identifying good practice and areas for further development

5. HR practice and strategy

- Sector has engaged with challenging decisions – pay, pensions, workforce change
- Leadership and managing change key – identified good practice, need to disseminate
- There is a need for a clearer picture of how the shape of the sector is changing

Towards some recommendations (1)

General

- Interventions should fit longer term strategic aims rather than short term
- Cost reduction activities should be clear on savings and benefits expected
- The key area all HEIs can focus on is the development of better and leaner internal processes

Data & Benchmarking

- Work with TRAC Development Group to provide more appropriate data for HEIs
- Professional bodies to identify 2/3 existing indicators that can be collated, compared and aggregated to show changes in cost/value over time in key operational areas (finance, HR, procurement, estates, IT, libraries, sustainability) (short-term)
- Identify a flexible basket of Efficiency Indicators that can be used by HEIs to drive efficiency and refine processes (medium-term)
- There needs to be consultation on whether Efficiency Indicators should be collected centrally (HESA) or developed along the lines of a distributed model

Towards some recommendations (2)

Shared services

- Models for developing shared services exist and good practice should be disseminated
- HEIs should look to exploit existing services with a track record of excellence rather than developing new organisational structures

Regulatory

- The govt should implement the mandatory VAT exemption on shared services
- The govt should clarify the position of HEIs in relation to public sector regulations in light of the new funding arrangements – balance between public/private finance in HE
- There needs to be greater clarity on the impact of competition law with regards to sharing data, information on costs and collaboration between HEIs

Procurement

- Develop a national body to lead procurement in England (follow APUC model)
- Set up a UK-wide strategic procurement group to lead policy, promote good practice and guide the establishment of a Centre of Excellence (CIPS/AUPO)
- Establish a target of 30% non-pay spend to be channelled through collaborative agreements



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Next steps

- **Time line for recommended activities to be developed**
- **Lead bodies/agencies to take recommendations forward to be identified**
- **Final report to be produced**
- **Dissemination event – 20th September 2011**