National Audit Office

Department for Business, Innovation and Skills
Higher Education Funding Council for England

Regulating financial sustainability in higher education

Census summary report

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Contents

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Key findings

1 This document provides a summary of the results of a census of higher education institutions in England which we issued to support the analysis and conclusions in our report, *Regulating financial sustainability in higher education*. A summary of the objectives of this census is available within a separate methodology appendix, published on the National Audit Office website: www.nao.org.uk.

Background

2 We sent an online questionnaire to all 129 higher education institutions (institutions) in England that receive funding from the Higher Education Funding Council for England (the Funding Council). The questionnaire was sent, via email, to vice chancellors/principals in the first instance. We issued the questionnaire in the week commencing 18 October 2010, and continued to receive responses until the week commencing 22 November 2010. We received responses from 109 institutions, a response rate of 84 per cent. The profile of respondents almost exactly matched that of the sector as a whole in terms of the risk status (Not At Higher Risk, Not At Higher Risk-With Comments, and At Higher Risk) assigned to institutions by the Funding Council.[1]

The Funding Council's risk ratings of institutions

3 All institutions agreed with the risk rating they received from the Funding Council in 2010. Seventy-six per cent of institutions said they had a clear understanding of the criteria used to assess their level of risk.

Institutions' Annual Accountability Returns to the Funding Council

4 A majority of institutions (84 per cent) thought the current requirements (e.g. the type, amount, and frequency of information submissions) of the Funding Council's annual accountability returns were appropriate.

5 Just under half (47 per cent) of respondents said that that the 2009 annual accountability returns process had helped to improve the running of their institution. This percentage increased slightly (to 53 per cent) when just looking at the responses from those institutions rated as Not At Higher Risk-With Comments. While it was from a much smaller subset, of the five responding institutions rated At Higher Risk, two (40 per cent) said the process had helped to improve their running.

1 The Funding Council maintains a risk assessment of every institution, focusing on three areas: institutional sustainability; value for money, propriety or regularity; and risk management, control or governance. Each year it discloses the risk rating it has assigned to each institution in a confidential letter to the head of the institution. Formally, there are only two ratings: At Higher Risk and Not At Higher Risk. The Funding Council does, however, convey specific comments in the annual risk letters it sends to some institutions it has rated as being Not At Higher Risk. For the purposes of this analysis, we treated such institutions (43 in 2010) as forming a third risk rating, Not At Higher Risk–With Comments. More detail on the Funding Council's risk assessments is available in our main report.

6 Just over three-quarters of institutions (77 per cent), said that the financial forecast data submitted to the Funding Council as part of their annual accountability returns in 2009 were signed off internally within the month before submission. In 13 per cent of cases they were signed off four months or more before submission to the Funding Council. There was no correlation between these cases and the risk ratings of the respective institutions.

The Funding Council's assurance visits to institutions

7 Seventy-eight per cent of institutions wanted to retain the current frequency of Funding Council assurance visits (once every five years). Four per cent of institutions wanted these visits reduced to 'less frequently' or 'never'. Fifteen per cent wanted the frequency of visits increased to more often than every five years.

Changes to the Funding Council's assurance function in the new policy and funding environment

8 Around a quarter of institutions (23 per cent) wanted the Funding Council to maintain at least the same degree of assurance coverage of the sector as currently, even as the funding it distributed declined. Around two-thirds (64 per cent) thought there should be less assurance coverage, or that it should be more efficiently focused.

Institutions' contact with the Funding Council

9 Institutions reported there being significant contact between the Funding Council and their senior management. Excluding respondents which did not provide a definitive answer, some 98 per cent of institutions said there had been at least one meeting between their head of institution (vice-chancellor or principal) and the Funding Council in the previous 12 months. Forty-six per cent reported that their Chair of Governors had met the Funding Council at least once in the last 12 months.

10 The majority of institutions said they were satisfied with the quantity and quality of support and challenge they received from the Funding Council. However, levels of satisfaction varied depending on the specific area in question. Institutions were most positive about the support and challenge they receive in respect of financial management, with 85 per cent reporting satisfaction with what is currently offered. This reduced to 76 per cent in respect of governance, and to 62 per cent in respect of efficiency. Of those institutions that were not satisfied with current arrangements, generally they wanted *less* challenge and support in respect of their governance (16 per cent of all respondents said they wanted less here) and *more* in respect of their efficiency (18 per cent of all respondents wanted more here).

Institutions' views of the Funding Council

11 Overall, institutions were most satisfied with the Funding Council's performance in terms of its acting as an intermediary between the sector and government (83 per cent of institutions expressing their satisfaction here, with only 1 per cent saying they were dissatisfied). Institutions were least satisfied with the Funding Council in terms of how it allows them to innovate and expand (29 per cent satisfied), and in how it seeks to improve weak institutions to improve (28 per cent satisfied). In both of these latter cases, however, the majority of respondents were ambivalent (selecting 'neither satisfied nor dissatisfied'), said they did not know, or gave no response, rather than saying they were actively dissatisfied.

Institutions' use of Transparent Approach to Costing data

12 Transparent Approach to Costing (TRAC) is a methodology used within the higher education sector for costing its activities. The Funding Council states that it 'has supported the development and implementation of TRAC in [institutions] since its inception and seeks to ensure that TRAC is fit for purpose in meeting institutions and stakeholder needs'.[2]

13 Just over half our respondents said their institution used its TRAC data to inform decisions on amounts to charge in fees (53 per cent) and to benchmark its efficiency (52 per cent), with just over two-fifths (43 per cent) using TRAC data to inform their strategic decisions on their teaching and research portfolios. However, a fifth (21 per cent) said they did not show their TRAC data to their governing bodies at all during the preceding year. A further half of respondents (53 per cent) had only shown TRAC data to their governing bodies once in the previous year.

Benchmarking

14 Since 2000, UK higher education institutions have participated in an initiative called Estates Management Statistics (EMS), an annual data collection exercise which has been jointly funded by the Funding Council and its Scottish and Welsh counterparts.[3] EMS captures a variety of types of data, such as maintenance costs, energy efficiency, and space utilisation.[4] The overwhelming majority of respondents to our census (94 per cent) said they used Estates Management Statistics to benchmark the performance of their estates against other institutions.

2 Higher Education Funding Council for England, 'Transparent Approach to Costing (TRAC)', http:// .hefce.ac.uk/finance/fundinghe/trac/, published 16 November 2010, accessed 31 January 2011.

3 From 2009/10, the data collection has been carried out by the Higher Education Statistics Agency (the Agency). Following a transitional period in which funding is being maintained by the national funding councils, the ongoing cost of running the system is to be borne by institutions through an addition to the subscription they pay the Agency.

4 Higher Education Statistics Agency, 'Estates Management Statistics 2009/10: Data items, descriptions and units of return by section', http://www.hesa.ac.uk/index.php?option=com_content&task=view&id=1913&Itemid=233, published 25 October 2010, accessed 31 January 2011.

15 Significant numbers of institutions (varying between around a half and two-thirds of respondents) said they would like to see sector-wide benchmarking data, similar to Estates Management Statistics, collected in other areas. The most popular areas were IT costs (68 per cent of institutions requesting this) and staff costs (62 per cent). A number of institutions, however, expressed scepticism about the practicalities and benefits of extending the sector-wide collection of benchmarking data.

Efficiency programmes

16 Institutions reported very widespread activity in carrying out internal efficiency programmes. Some 98 per cent said they had at least one efficiency programme in operation or completed within the last two years. The most widespread activity was in 'staff restructuring' and 'other internal process improvement' (in both cases 95 per cent of institutions said they had efficiency activity in these areas planned, in operation, or completed in the last two years). The least widespread activity was in 'outsourcing a service' (45 per cent) and 'establishing a new shared service' (42 per cent).

Financial risks

17 The main financial risk identified by institutions was clearly the reduction in grant funding from the Funding Council following the Comprehensive Spending Review and Browne Review (45 per cent of institutions selecting this as one of their top three risks). After this, the next most frequently cited risks were 'changes affecting income from non-EU students' (13 per cent), 'cost control: pay and pensions' (7 per cent) and 'reductions in other public funding streams' (6 per cent).

Summary responses to each question[5]

The Funding Council's financial monitoring and risk assessment function[6]

Q3.a Each year HEFCE[7] makes an assessment of each institution's level of risk (i.e. At Higher Risk or Not At Higher Risk), based substantially on the Annual Accountability Return. Does your institution agree with the classification set out by HEFCE in your institution's 2010 risk assessment letter?

	Number	Percentage
Yes	109	100
No	0	0
Don't know	0	0

Q3.b How well do you understand the criteria used by HEFCE to assess your institution's level of risk? Please indicate your level of understanding.

Results	Number	Percentage
I have a clear understanding	79	76
I have some understanding	23	22
I have little understanding	2	2
Total	104	100

NOTE

1 Total responses were 109, but 5 of these answered a pilot version of this questionnaire which did not contain this question.

5 In some cases percentages do not sum to 100 because of rounding.

6 Q1-2 asked for the identity of the institution and for nominated contacts in the event of any follow-up queries.

7 Throughout the questionnaire that was issued to institutions, and in the verbatim responses we received, the Funding Council is referred to as HEFCE (standing for its full title, the Higher Education Funding Council for England).

Annual Accountability Returns

Q4.a Thinking about the 2009 Annual Accountability Return process, how reasonable were HEFCE's requirements (i.e. the amount and detail of information required) for your particular institution, given the public funding and risk levels? Please select the statement that best reflects your view.

Results	Number	Percentage
Requirements were appropriate	90	84
Requirements were too high	17	16
Requirements were too low	0	0

NOTE

1 Two institutions did not record a response and are not counted, as the answer they gave to a similar but different question in the pilot could not readily be converted to an answer here.

Q4.b Did the 2009 Annual Accountability Return process, including the risk letter your institution received in spring 2010, help to improve the running of your institution?

Results	Number	Percentage
Yes	50	47
No	43	41
Don't know/no opinion	13	12
Total	106	100

NOTE

1 Three institutions did not record a response and are not counted, as the answer they gave to a similar but different question in the pilot could not readily be converted to an answer here.

Taking just those institutions rated Not At Higher Risk-With Comments, the results are as follows:

Results	Number	Percentage
Yes	20	53
No	12	32
Don't know/no opinion	6	16
Total	38	100

Taking just those institutions rated At Higher Risk, the results are as follows:

Results	Number	Percentage
Yes	2	40
No	2	40
Don't know/no opinion	1	20
Total	5	100

Q5.a The Annual Accountability Return includes a financial forecast for the current year and following three years. Please indicate the month in 2009 in which your institution approved the financial forecast data that was submitted to HEFCE by December 2009 as part of its Annual Accountability Return:

	Number	Percentage
January	0	0
February	0	0
March	0	0
April	0	0
May	1	1
June	5	5
July	8	7
August	0	0
September	4	4
October	7	6
November	79	73
December	4	4
Total	108	100

NOTE

1 One response was blank.

Q5.b Since it submitted its forecast to HEFCE in 2009, how often has your institution produced group financial forecasts for internal purposes?

	Number	Percentage
Monthly	23	22
Quarterly	40	38
Termly/every three months	11	10
Half yearly	15	14
Annually	6	6
Other	10	10
Total	105	100

NOTE
1 Four responses were blank.

Funding Council Assurance Review visits

Q6.a Since the start of the 2007-08 academic year HEFCE has carried out HEFCE Assurance Review (HAR) visits to institutions, to provide additional assurance that the accountability assurance information submitted by institutions can be relied on. These visits last one day, and are carried out on a five year cycle. Has your Institution received a HAR visit?

	Number	Percentage
Yes	78	72
No	27	24
Don't know/left blank	4	4
Total	109	100

Q6.b If yes, how satisfied were you about the following aspects of the HAR visit:

	Satisfied (%)	Neither satisfied nor dissatisfied (%)	Dissatisfied (%)	Don't know/ No opinion (%)	Total (%)
The HEFCE assurance consultant's understanding of the financial management and governance of HEIs in general	84	12	0	4	100
The HEFCE assurance consultant's understanding of your Institution	74	20	1	5	100
Usefulness of the findings given to your institution (on the day and/or in subsequent report)	65	26	3	6	100
Usefulness of your preparations for the HAR visit, in terms of reflecting on your institution's financial management and governance	68	25	4	4	100

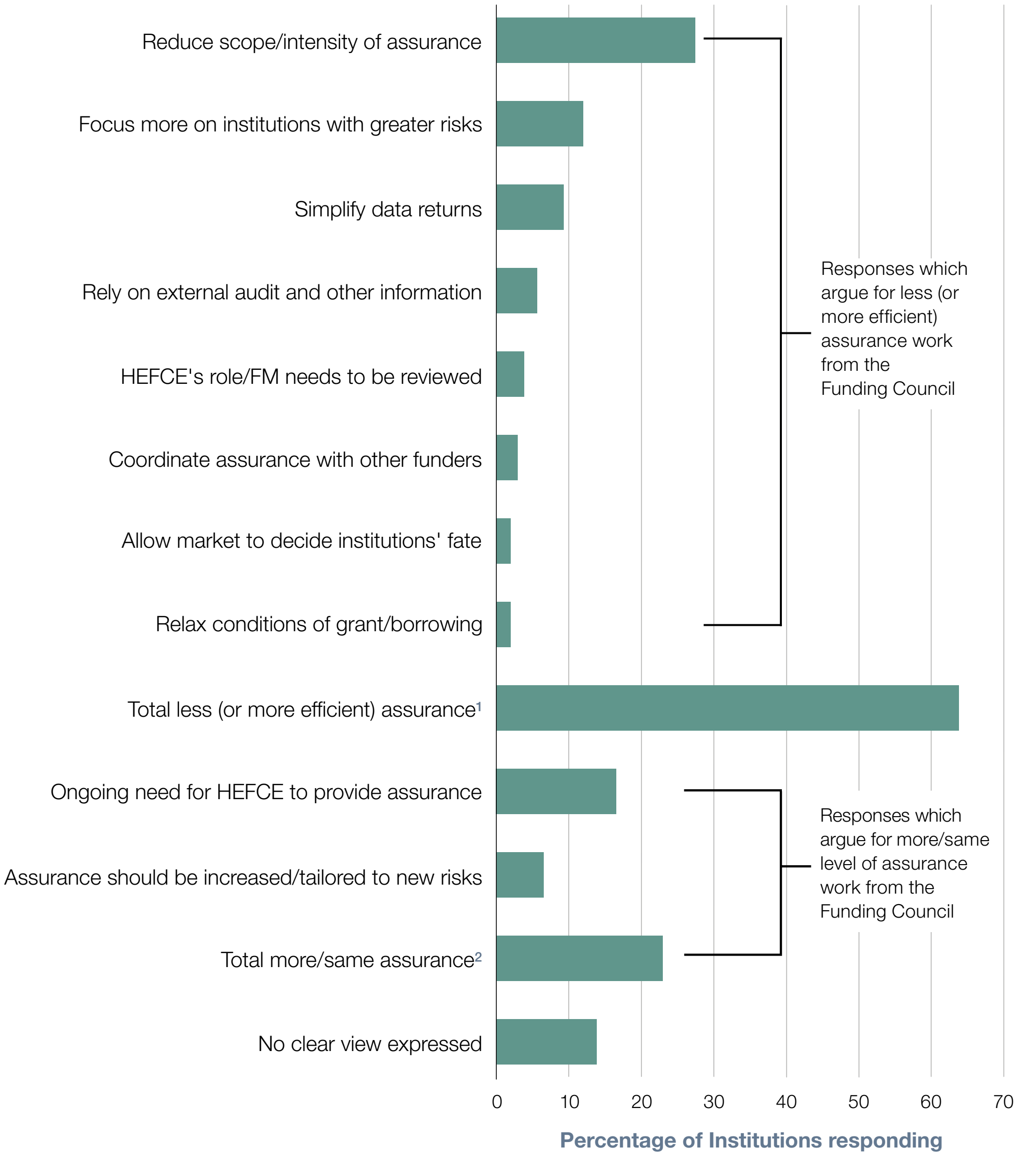
Q7. Given HEFCE's need to obtain assurance for public investment, and the level of risk at your institution, how often do you think HEFCE should conduct a HAR visit at your institution?

	Percentage
Once every 5 years	78
More frequently than once every 5 years	15
Less frequently than once every 5 years	3
Never	1
Don't know/no opinion	4
Total	100

Overall views on HEFCE's financial monitoring and risk assessment

Q8. What are the main ways you think HEFCE's assurance processes should change as the proportion of public funding it distributes to the sector declines?

Higher level themes in responses



NOTES

1 Sum of the percentages of the individual themes above.

2 Sum of the percentages of the two above themes.

Source: National Audit Office analysis of verbatim comments

Challenge and support from the Funding Council

Q9. How satisfied are you with the amount of challenge and support* the Funding Council gives your institution in the following areas:

Please interpret ‘challenge’ as any activity of HEFCE’s which tests or questions your institution’s plans, performance, or capacity. Please interpret ‘support’ as any activity of HEFCE’s that you would welcome as helping to improve your institution’s performance. This could include the promotion of good practice, the funding of training, the provision of comparative information, and the addressing of specific recommendations to your institution where appropriate.

	Would prefer more, or better, challenge and support (%)	Satisfied – the amount and quality of challenge and support is correct (%)	Would prefer less challenge and support (%)	Don’t know/ no opinion (%)	Total (%)
Financial management	5	85	7	3	100
Governance	6	76	16	3	100
Efficiency	18	62	11	9	100

Q10. In the past 12 months, how many times has a member of staff from HEFCE met with the following to discuss your institution?

	None (%)	1-5 times (%)	More than 5 times (%)	Don’t know/ left blank (%)	Total (%)
Vice-Chancellor/Principal	3	84	9	4	100
Finance Director	9	75	8	7	100
Chair of Governors	46	37	3	15	100
Chair of Audit Committee	51	32	1	16	100

Not counting the Don't know/Left blank responses produces the following results:

	None (%)	1-5 times (%)	More than 5 times (%)	Total (%)
Vice-Chancellor/Principal	3	88	10	100
Finance Director	10	81	9	100
Chair of Governors	54	43	3	100
Chair of Audit Committee	61	38	1	100

Overall views on the Funding Council

Q11.a How satisfied are you with HEFCE's performance in the following respects:

	Satisfied (%)	Neither satisfied nor dissatisfied (%)	Dissatisfied (%)	Don't know/ no response (%)	Total (%)
Acting as an intermediary between the HE sector and the Government	83	14	1	2	100
Understanding the financial impacts of national policy and funding decisions on individual institutions	78	15	2	6	100
Being transparent, in terms of its expectation and the reasons for decisions and assessments	71	19	6	5	100
Ensuring institutions account for their use of public investment and demonstrate value for money	67	28	4	1	100
Enabling institutions to innovate, expand and/ or compete	29	46	19	6	100
Working with weaker institutions to improve their financial health	28	17	6	49	100

Q11.b If you have any further comments you would like to make about HEFCE's role and performance, please do so here:

The 45 responses we received can be broken down by the following broad themes:

	Number
Positive about the Funding Council's engagement with sector/intermediary role	12
Positive about the Funding Council's performance/value for money	11
Mixed views about the Funding Council's effectiveness/communications	10
Negative about the Funding Council's assurance of/support for institutions	5
Negative about the Funding Council's role as a funding body	2
Negative about the Funding Council's engagement with sector/intermediary role	1
Negative about government policy/funding which the Funding Council has to work with	1
Comment about the Funding Council's future role	2
Other	1
Total	**45**

Some illustrative individual comments are reproduced below:

Illustrative comments about the Funding Council's role and performance

Positive comments

The Funding Council's engagement with the sector/role as intermediary between the sector and government

- I have always found officers at all levels within HEFCE to be responsive and supportive, without compromising their primary objective of gaining assurance over the use of public funding by the University.
- HEFCE adds value and plays an important role sitting between government and HEIs. Its analytical capacity is renowned and we strongly welcome the partnership approach HEFCE currently adopts.
- HEFCE continues to provide an effective bridge between the HE sector and government and this is one of the major strengths of the current arrangements. Whatever emerges out of proposals in the Browne review to create a single HE Council we believe it will be crucial that this attribute of the current arrangements is retained.
- HEFCE still represents the best option for interface with government and regularly seeks advice from the sector over policy issues. It strives to consider the sector as a whole rather than favour particular interest groups and this is essential if we are to help inform public policy makers.

The Funding Council's performance/value for money

- Amongst NDPBs [non-departmental public bodies] I would regard HEFCE's track record, relative to the resource cost, as exemplary.
- Having dealt with regulators in other industries, HEFCE seems to strike a good balance between support, regulation and internal cost-effectiveness.

Mixed comments

- HEFCE as distributor of funds and regulator is clear and largely satisfactory. HEFCE as a vehicle for improving performance of Universities is more of a stretch, and it might be better if they focus on a more limited role.
- The general monitoring of financial health is appropriate. There is a view across the sector that financially weaker institutions are propped up rather than challenged. To receive a short letter saying that your institution is 'Not At Higher Risk' is insufficient feedback to be useful in any way. Ad hoc meetings and contact with HEFCE are very productive. The staff are always helpful and professional. These more regular and informal meetings and discussions are often more useful than the formal meetings.
- We do not consider that HEFCE has added much value through its funding role. Funding formulae, particularly for teaching, are restrictive and highly complex and often do not reflect the nature of the business that it is funding. […] It has at times been an effective intermediary between the HE sector and the Government to ensure policy is relevant and realistic, but HEFCE is only one of an increasing number of agencies and regulators of the HE sector and these can have as significant an impact on institutional competitiveness. It is not obvious that HEFCE have managed poor financial performance well – it appears that they have largely intervened after the event has become critical.

Illustrative comments about the Funding Council's role and performance *continued*

Negative comments

The Funding Council's assurance of/support for institutions

- HEFCE could possibly react quicker to help weaker institutions improve their financial health.
- HEFCE do not have the capacity to review the financial forecasts of institutions in any level of detail and therefore they do not realistically challenge or support. It would seem sensible to either do the job properly or not at all.
- The rigid approach to the annual cycle of reports is increasingly inappropriate in the current circumstances – there needs to be greater flexibility that reflects the current, dynamic funding/ fees environment.

The Funding Council's role as a funding body

- [We] fared badly in financial terms from the application of a one-size-fits-all funding formula after the 2008 Research Assessment Exercise. This was despite being rated the highest ranked research organisation in the process. The impact on non-standard institutions did not seem to have been properly considered in arriving at the funding formula.

Comments about the Funding Council's future role

- In the current environment, there has to be a question over whether HEFCE should adopt a more proactive planning role within the sector. Whilst I am sure that this would be strongly resisted by many HEIs [higher education institutions], it cannot be good use of public funds to have wholly autonomous HEIs existing in very close proximity but duplicating many costs (management infrastructure, finance, HR, student admin etc). VAT makes shared services uneconomic in many cases, and full mergers are often defeated by individual egos!

Source: National Audit Office selection of verbatim responses

Transparent Approach to Costing (TRAC)

Q12.a How many times in the last 12 months has TRAC output been used to keep your governing body informed of the institution's financial performance?

Number of times TRAC gone to governors in 12 months	Number of institutions giving this response	Percentage
0	23	21
1	58	53
2	16	15
3	3	3
4	1	1
5	3	3
12	2	2
N/A	3	3
Total	109	100

Q12.b What else does your Institution routinely use its TRAC output for? Please select as many as apply.

	Percentage of institutions
Informing strategic decisions on your teaching and research activity	43
Informing decisions on fees and charge-out rates	52
Carrying out benchmarking exercises	53
Other (please state)	21

NOTE

1 Institutions could select more than one option, hence options sum to more than 100 per cent.

Q12.c If your Institution does not routinely use TRAC for any of the above purposes, please briefly indicate why

Themes in the 49 responses to this question:

	Number	Percentage
TRAC not very useful to small/specialist institutions	12	24
Use internal costing and reporting processes instead	11	22
TRAC methodology flawed	9	18
Plan to use TRAC more in future	4	8
Resources required to produce TRAC data disproportionate to benefit	2	4
Institution's management and governors do not understand its significance	1	2
Not useful for institutions with no Funding Council research funding	1	2
Use modified form of TRAC internally	1	2
Other	8	16
Total	49	100

Source: National Audit Office analysis of verbatim responses

Benchmarking and efficiency

Q13.a Currently, benchmarking data on every HEI's estate are made available to the sector through Estate Management Statistics. Does your institution use these benchmark data (e.g. to inform decisions/improve efficiency)?

	Percentage
Yes	94
No	5
Don't know	1
Total	100

Q13.b Would you like to see similar, sector-wide benchmarking data covering all institutions collected in any other areas (select as many as apply)?

	Number	Percentage
Procurement	62	58
Finance function	58	55
HR function	53	50
Staff costs	66	62
IT Costs	72	68
Other (please state)	30	28

NOTE

1 Institutions could select more than one option, hence options sum to more than 100 per cent.

The 30 responses which gave 'Other' could be broken down into the following responses. (These total more than 30 because in some cases respondents specified more than one thing. Additionally, in some cases we have recorded here requests for other types of benchmarking which were given as answers to Question 13c.)

	Number
Do not want more sector-wide benchmarking/ sector too diverse	7
Student support	6
Marketing	4
Teaching	3
Admissions	2
Using consultants to benchmark different functions	2
Non-academic staff	2
Professional services	1
Profitability at school/faculty level	1
Research	1
Estates	1
Carbon emissions	1
Key risk areas	1
Software licenses	1
Other	5
Total	38

Source: National Audit Office analysis of verbatim responses

Q13.c If you would like to expand on your answer, please do so here:

The 43 responses to this question could broadly be broken down as follows:

	Number
Positive about potential benefits of sector-wide benchmarking	5
Positive – but with significant conditions (e.g. only if data collection streamlined and results analysed to take into account differences among Institutions)	8
Would like greater access to/to make greater use of existing data collections	3
Sceptical about benefits and practicalities of additional sector-wide benchmarking led by Funding Council	18
Sceptical about the usefulness of existing sectoral data	1
Other	8

Source: National Audit Office analysis of verbatim responses

Below are some illustrative comments under each of these themes:

Illustrative comments about sector-wide benchmarking

Positive about potential benefits of sector-wide benchmarking

- We are benchmarking all of our services – we have engaged external assistance to help us do this, but would clearly prefer if there was a national scheme.
- We use a commercial benchmarking service and replacing that with a proper data set including efficiency and quality data would be helpful.

Positive – but with significant conditions (e.g. only if data collection streamlined and/or results analysed to take into account differences among institutions)

- If a way could be found to benchmark whilst taking account of different structures (and the methodology for collecting the data was straightforward and efficient) then sector-wide benchmarking may become beneficial.
- If benchmarking is done on a regular basis the benefits of using it must outweigh the cost of collection. There must also be processes to ensure the consistent reporting of data between institutions.
- The data collection burden needs to be kept as low as possible. Broad brush collection is sufficient – there is no great value in recalibrating activities of different institutions to match a common definition.
- It would be easier to benchmark 'activities' or specific types of costs e.g software licences, rather than look at artificial departmental structures.
- Benchmarking data is immensely valuable. However this should be collected through HESA [the Higher Education Statistics Agency] to ensure consistency and rigour of approach. There also needs to be a sensible resolution of handling Freedom of Information Requests. Requests which can be legitimately refused by individual HEI's should not become disclosable at national level.

Would like greater access to/to make greater use of existing data collections

- There is a wealth of data gathered by HESA in particular on finance, HR, student and estates. […] Such data are very helpful, and the focus should be on extending the availability of data already collected rather than adding in new systems.
- Would like to be able to use HEIDI [the Higher Education Information Database for Institutions, provided by the Higher Education Statistics Agency] for more comparable benchmarking.

Sceptical about the usefulness of existing sectoral data.

- The data available from HESA is largely useless for benchmarking purposes, as universities return data in different ways whilst remaining within the rules of the Guidance Manual. This is a complete waste of the effort undertaken in completing these returns. We would like to see stronger guidance being issued that reduces much of the ambiguity and therefore that results in good data for benchmarking purposes.

Illustrative comments about sector-wide benchmarking *continued*

Sceptical about benefits and practicalities of additional sector-wide benchmarking

- Benchmarking is notoriously difficult as costs can be allocated in a range of ways which then do not translate appropriately across the sector. […] Sector-wide benchmarking is likely to produce a further burden of regulation and compliance which could be disproportionate to the benefit it may provide.
- Benchmarking is problematic as the characteristics of individual institutions, even when of a similar size, are so diverse.
- Data on HE financial performance, staff costs etc. is already made available to us, both by HEFCE and through HESA. I am unconvinced that there is a significant need to develop this further.
- The concept of sector-wide benchmarking in this way is going to become increasingly problematic as the sector moves towards a more competitive environment and uses a more dynamic operating model to better cope with a faster moving market place.
- This should be left to the sector to organise if it wishes.

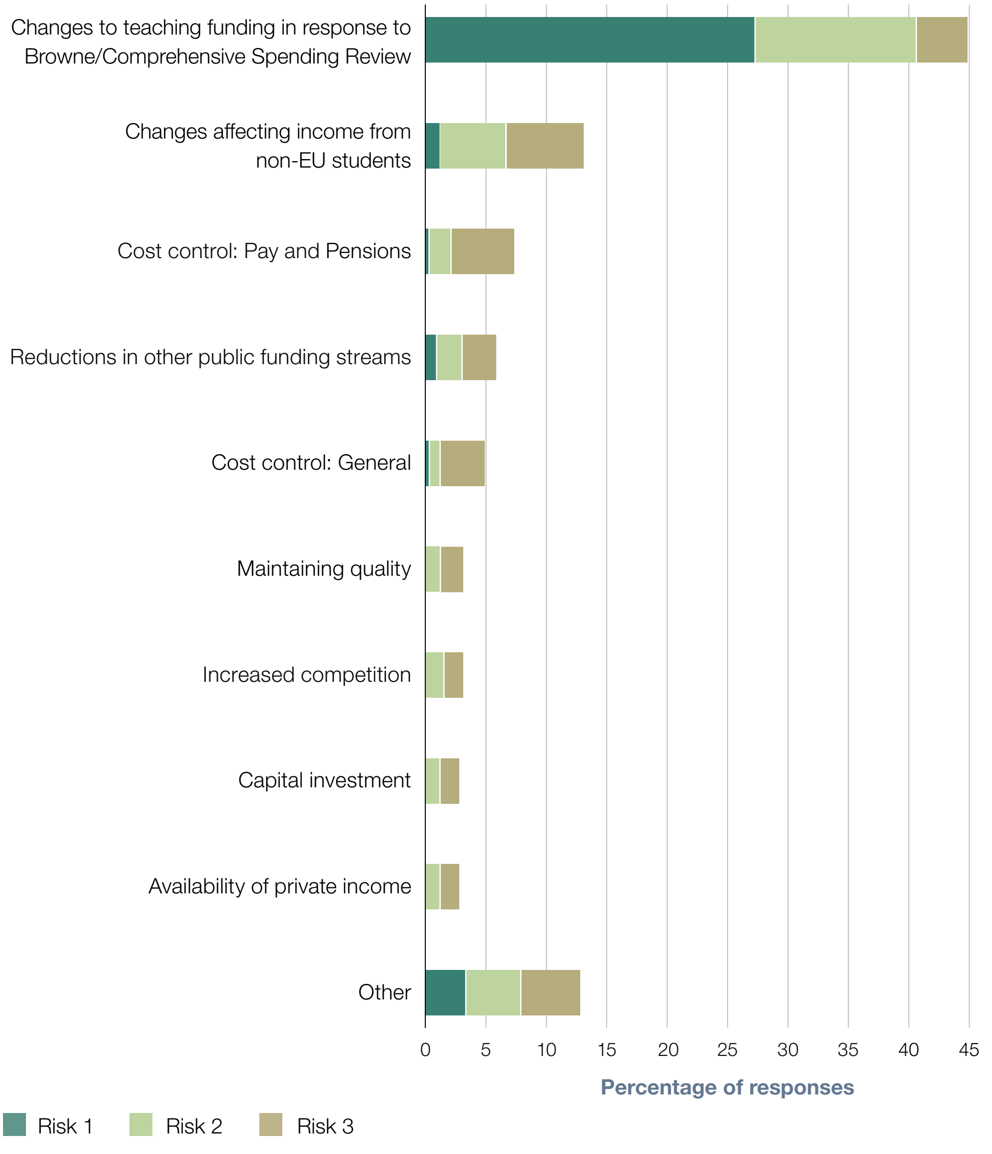
Source: National Audit Office selection of verbatim responses

Q14. Have you carried out any efficiency programmes recently?

	Planned, in progress, or completed in past 2 years (%)	No current plans (%)	Don't know/ did not answer (%)	Total (%)
Staff restructuring programme	95	4	1	100
Other internal process improvement programme	95	2	3	100
Major procurement cost-reduction programme	84	10	6	100
Estate rationalisation programme	77	17	6	100
Major ICT cost-reduction programme	65	27	8	100
Outsourcing a service currently provided internally	45	48	7	100
Establishing a new shared service	42	48	10	100
Other	13	3	84	100

Financial risks and opportunities

Q15.a What do you see as the top three risks and opportunities relating to your institution's financial health over the next five years?



Source: National Audit Office analysis of verbatim responses

Q15.b If you would like to expand on your answer, please do so here:

There were 10 responses to this question. Responses representative of a range of views received are reproduced below:

- High level of visa refusals for students studying on the University's language and University preparation courses has cost the University £750,000 in 2010-11.
- In March 2009 the University made a successful bid for Strategic Development monies which is being used to accelerate a programme of transformational change.
- [We] will need to respond quickly and be flexible to the major changes being proposed to the HE sector.
- We continue to have concerns about the sustainability of employment costs (including pensions) whilst maintaining staff goodwill. KPI analysis supports the view that the institution operates efficiently and has limited capacity to absorb reductions in units of resource whilst maintaining acceptable quality standards.
- Institutions will need to forge strategic alliances, both regionally and internationally, and fully understand the importance of employability for graduates.

Source: National Audit Office selection of verbatim responses

Other comments

Q16. If you would like to make any other comments on the subjects of this questionnaire, please do so here.

The 16 responses to this question can broadly be broken down into the following themes:

	Number
Comment about Departmental funding and/or policy	3
Comment about the existing performance of the Funding Council and/or sector	3
Comment about the future role of the Funding Council	5
Comment about the NAO census/report	5

Illustrative comments under each of these themed headings are reproduced below:

Illustrative responses to the request for any further comments

Comment about Departmental funding and/or policy

- Greater focus on value-added for majority (cf elite) students.
- We believe that maintaining the investment in HE opportunities is essential for the UK economy to successfully meet the challenges of the current world economic situation and to be able to respond to new opportunities as they arise.

Comment about the existing performance of the Funding Council and/or sector

- HEFCE is a slim and effective body overall. Universities are generally highly effective enterprises.
- HEFCE's work provides great comfort to external funders of the sector, especially banks. […]

Comment about the future role of the Funding Council

- It is important that when managing difficult situations that the balance between the public interest, each institution's interest and the sector's interests are separately respected. As government funding reduces, the risk of failure for some institutions will increase but it is important that HEFCE maintains a light touch and does not seek to impose solutions on other individual institutions that are contrary to their own best interests.
- […] The role of HEFCE should only remain as a funding body, which may have limited regulatory powers in terms of assuring itself of the financial sustainability of those institutions where public funding is a significant proportion of their overall income and with respect to its role as a regulator of charitable status of institutions.
- In the interest of economy, efficiency and effectiveness, it would be reasonable to expect a reduction in HEFCE's own resources and costs at least in proportion to the decrease in funding which it is responsible for.
- We believe that […] HEFCE are well placed to continue to manage the delivery of Higher Education Policy in all universities.

Comment about the National Audit Office census/final report

- Question 14 needs to allow multiple responses. We have been working on efficiency programmes for the last 2-3 years in multiple areas, these continue and more will be done in the future. Constraining the answer to only one option gives a distorted picture of our ongoing activity.
- Some questions were difficult to answer because of the need to reflect a changing mission and role for HEFCE in light of a reduction in the proportion of income that universities will receive from public funds.

Source: National Audit Office selection of verbatim responses

Below are some illustrative comments under each of these themes:

Illustrative comments about sector-wide benchmarking

Positive about potential benefits of sector-wide benchmarking

- We are benchmarking all of our services – we have engaged external assistance to help us do this, but would clearly prefer if there was a national scheme.
- We use a commercial benchmarking service and replacing that with a proper data set including efficiency and quality data would be helpful.

Positive – but with significant conditions (e.g. only if data collection streamlined and/or results analysed to take into account differences among institutions)

- If a way could be found to benchmark whilst taking account of different structures (and the methodology for collecting the data was straightforward and efficient) then sector-wide benchmarking may become beneficial.
- If benchmarking is done on a regular basis the benefits of using it must outweigh the cost of collection. There must also be processes to ensure the consistent reporting of data between institutions.
- The data collection burden needs to be kept as low as possible. Broad brush collection is sufficient – there is no great value in recalibrating activities of different institutions to match a common definition.
- It would be easier to benchmark 'activities' or specific types of costs e.g software licences, rather than look at artificial departmental structures.
- Benchmarking data is immensely valuable. However this should be collected through HESA [the Higher Education Statistics Agency] to ensure consistency and rigour of approach. There also needs to be a sensible resolution of handling Freedom of Information Requests. Requests which can be legitimately refused by individual HEI's should not become disclosable at national level.

Would like greater access to/to make greater use of existing data collections

- There is a wealth of data gathered by HESA in particular on finance, HR, student and estates. […] Such data are very helpful, and the focus should be on extending the availability of data already collected rather than adding in new systems.
- Would like to be able to use HEIDI [the Higher Education Information Database for Institutions, provided by the Higher Education Statistics Agency] for more comparable benchmarking.

Sceptical about the usefulness of existing sectoral data.

- The data available from HESA is largely useless for benchmarking purposes, as universities return data in different ways whilst remaining within the rules of the Guidance Manual. This is a complete waste of the effort undertaken in completing these returns. We would like to see stronger guidance being issued that reduces much of the ambiguity and therefore that results in good data for benchmarking purposes.