

# BETTER ACCOUNTABILITY FOR HIGHER EDUCATION

## MANAGEMENT SUMMARY

### *The Problem*

Universities and other higher education institutions have expressed growing concerns over what they perceive to be an excessive burden of accountability requirements – external requirements for information, inspections, audits, submissions and bids for funding – much of which they feel is inappropriate to their independent status.

To test this perception, the Higher Education Funding Council for England (HEFCE) commissioned PA Consulting Group to assess current accountability arrangements in the HE sector, to report on problems, and to make recommendations for more cost-effective options for meeting the accountability obligations of the sector.

In undertaking this study, we sought to understand the needs and experiences of HEIs and of the principal stakeholders in the HE sector, since effective accountability arrangements must satisfy the needs of all interested parties. In particular, we focused not just on accountability costs, but on the value of the relevant activities to all concerned, **since burden (redundant work) and effectiveness (the value generated) are equally important to stakeholders and institutions.**

### *Our Findings*

We found that HEIs incur very significant costs in response to external accountability requirements, summarised in the table. In addition to the direct and indirect costs, which are generally not measured or planned, we found widespread evidence of inappropriate behavioural responses and other intangible cost impacts. We also found many examples of internal benefits from imposed requirements, which were generally qualitative.

The diversity of the HE sector, and of stakeholder interests in it, makes accountability considerations especially complex. In England, some £6 billion per year of public funding is channelled through 135 self-governing HEIs, in respect of highly diverse policy objectives (teaching, research, social opportunity, industrial competitiveness, etc.). Institutions view themselves as independent enterprises competing for funds, students and business opportunities, whereas Government funders regard HEIs as public service providers accountable for the probity, value-for-money and policy outcomes achieved for the funds allocated. The accountability agenda is extending, to reflect rising expectations from

Impacts on higher education institutions			
Direct impacts		Indirect impacts	
<b>Stakeholders' Direct impacts</b>	<b>Est cost = £70 million</b>	<b>Measured Costs</b> (eg attributed admin time & attributed academic time.) <b>Est cost = £45-£50m</b>	<b>Administration Costs</b> (eg enhanced information systems, mgt support etc) <b>Est cost = £100 million</b>
		<b>Unmeasured Costs</b> (eg unattributed staff time and non-staff costs) <b>Est cost = £100 million</b>	<b>Behavioural Costs</b> (eg quality assessment & bidding 'game playing', planning uncertainties, staff stress) <b>Not quantifiable</b>
			<b>Stakeholders' Indirect impacts</b>

**Total Accountability Impacts in the English Higher Education Sector**

To a large extent, we found that many apparently imposed accountability costs were in practice symptomatic of underlying shortcomings in the quality of relationships between stakeholders and HEIs, which have fostered gaps in communications and lack of mutual understanding and trust.

The overall accountability regime for English higher education emerges as a patchwork of legacy requirements from different stakeholders responding to different concerns at different times, with little overarching design, co-ordination or rationale. **In consequence, the current regime represents poor value for money both for stakeholders and for institutions.**

***Towards Better Accountability***

An effective accountability regime is one which achieves optimal balance between the needs of *public assurance* (that funds are spent properly and to good effect) and *private governance* (of the health and interests of institutions). This requires close alignment between the information requirements, assurance systems and performance parameters sought by stakeholders and those required for good institutional management, illustrated in the figure below:

- In the course of our study we found:
- lack of defined relationships between stakeholders and HEIs, and between different stakeholder agencies
  - inconsistencies between stakeholder relationships and the associated accountability requirements
  - unco-ordinated, duplicated and redundant information requirements
  - lack of confidence in HEIs' internal management and control systems
  - confusions over the role of HEFCE

**A framework for better accountability**



Achieving a regime which fully meets these aims is likely to require a new paradigm for the relationship between HE funding agencies and institutions, which we call the *investor/partner model*. This model describes the working relationships that would exist in an accountability framework *designed* to meet the circumstances and demands of current policy expectations, rather than representing the *legacy* of accumulated practices.

The *investor/partner model* features two key elements of the Modernising Government agenda for more effective public services: investment in responsive, high quality service provision; and partnership with service providers to secure shared benefits. The *investor* dimension recognises the role of HEFCE and other HE funding agencies to secure and develop the delivery of Government objectives through HEIs. The *partnership* dimension recognises the mutual dependency between funding stakeholders and institutions, with each group requiring support from the other to

The primary focus of investor/partner relationships would be on institutions and stakeholders working together to achieve better value and results from public funding, but it would also incorporate the obligations on both funders and institutions to assure the probity of the activities funded.

***The Way Forward***

We believe that the better accountability measures outlined in this report, supporting the development of investor/partnership models for funding and delivering policy objectives, offer considerable benefits for both the institutions and stakeholders in higher education. As well as freeing up the considerable opportunity costs inherent in current accountability arrangements, they would foster more open, constructive and fruitful relationships across the sector. But the changes involved are probably too demanding to be achieved in one step. We therefore propose a staged programme of selected changes which would serve to test and validate the principles and encourage new patterns of collaboration between institutions and stakeholders, within a structured agenda for building the new model. Six initial propositions for change are described below.

**Propositions for improving accountability**

PROPOSITION	POSSIBLE ACTIVITIES
Rationalise data exchanges	Identify and develop opportunities for reducing duplicated and/or redundant data requirements, and for streamlining data collection
Rationalise assurance processes	Identify and develop opportunities for streamlining processes for assuring probity, quality and value for money
Maximise value of assurance/processes	Develop metrics and tools for measuring and improving the value of assurance processes
Improve assurance of policy outcomes	Identify good practice in managing performance in delivering policy objectives (e.g. student outcomes)
Rationalise bidding schemes	Identify and develop opportunities for streamlining discretionary funding schemes and improving alignment with institutional strategies
Develop investor/partner model	Consultation with stakeholders and institutions on opportunities and conditions for more effective working relationships

Further consultation is now needed with stakeholders and institutions on the findings and proposals from the Phase I study. We have further proposed the establishment of an occasional Higher Education Forum to bring together the key stakeholders and sector representatives, to review progress and to agree priorities for further development.