

Report August 00/36

Better accountability for higher education

Summary of a review for the HEFCE
by PA Consulting

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Foreword

Universities and colleges have to be accountable for their use of funds from a range of public and private sources. However, there are increasing concerns that the demands of accountability are placing too great a burden on the higher education sector. In the light of those concerns, the HEFCE commissioned this review from PA Consulting. It aims to assess and measure the extent of the accountability burden experienced by universities and colleges; to identify the factors generating that burden; and to recommend possible improvements.

From fieldwork with institutions and stakeholder organisations, the report concludes that:

- institutions' perceptions of significant and growing accountability demands are substantiated, although the associated burden (that is, costs that would not otherwise be incurred) varies greatly according to institutions' internal management systems and priorities
- stakeholders feel that current accountability arrangements often fail to deliver the appropriate levels of assurance and confidence, which has led to pressures for additional information requirements and checks on institutional performance
- failures of communication between stakeholder organisations and with institutions have led to duplicated accountability requirements and activities, and to misunderstandings over stakeholders' intentions and expectations, all of which have generated avoidable costs.

The emergent picture is of accountability arrangements that have accumulated over many years, and which in many ways now fail to meet modern needs or circumstances. In their report, the consultants propose a model for more effective and positive accountability relationships, and identify specific ways for stakeholders and institutions to work together to develop more cost-effective arrangements.

I greatly welcome these proposals, which build on the work already begun to reduce accountability demands. For example, my understanding is that the Quality Assurance Agency will be developing the "lighter touch" in its new methodology for quality assurance in universities and colleges.

The thrust of this report has been well received by all the major funding agencies for higher education and their Government stakeholders, and also by the sector's representative bodies, CVCP and SCOP. All these stakeholders have joined together in a Higher Education Forum and have committed to work towards streamlined and more positive accountability relationships, built upon good institutional management practices and systems.

The HE Forum held an inaugural meeting in July, at which five development projects were commissioned as first steps towards better accountability relationships. The projects are to advise upon:

- common formats for communicating stakeholders' policy objectives and accountability requirements within different funding relationships
- opportunities for streamlining and securing better value from student data reports

- more efficient and effective methods for assuring the probity of institutions' management of public funding
- cost-effective methods for assessing the costs and impacts of accountability requirements for institutions and stakeholders
- opportunities for aligning different stakeholders' interests in student-related policy objectives – such as improving access, progression, and employment prospects.

The HE Forum will meet again in the autumn to review progress on these projects. Meanwhile, our priority is to engage the whole sector in shaping the vision for better accountability. We will be working with CVCP and SCOP to consult with the universities and colleges as the programme moves forward, both on the specific projects and on the wider issues identified here. Meanwhile, we would welcome views from institutions and other stakeholders on the report and its proposals.

Sir Brian Fender

Chief Executive, HEFCE

CONTENTS

Foreword	3
Management summary	6
1. Introduction	9
2. Accountability to Whom and for What?	10
3. What is Effective Accountability	12
4. Current Accountability Arrangements are not Cost-effective	14
4.1 Lack of clearly defined relationships	14
4.2 Lack of mutual confidence	17
4.3 Unco-ordinated information requirements	17
5. The Impact of Current Accountability Arrangements	19
5.1 Methodology for assessing cost impacts	19
5.2 Estimating the impact on higher education institutions	20
5.3 The “bottom line”	24
5.4 Stakeholder costs	24
6. Envisaging Better Accountability	26
6.1 Accountability arrangements fit for purpose	26
6.2 Formalising stakeholder/HEI relationships	28
6.3 Mutual confidence	29
6.4 Co-ordinated information requirements	29
6.5 The benefits of better accountability	29
7. Moving Towards Better Accountability	31
7.1 Propositions for better accountability	31
7.2 A progressive programme of reforms?	31
7.3 Next steps	31
Appendix A Stakeholder organisations consulted	33
Appendix B Summary of propositions for development	34
Appendix C Glossary	35

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.**

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 employers, parents and students, in the context of the Modernising Government agenda for new ways of delivering and assuring the Government's policy goals.

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.

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

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.**

- 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

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:

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 achieve their respective goals.

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.

1. INTRODUCTION

Universities and other higher education institutions have expressed concerns that they face a growing “burden” of accountability – manifest in terms of external data requests, inspections, audits, funding bids and submissions – which is imposing costs they would not otherwise incur and which is not justified by the benefits achieved.

The Higher Education Funding Council for England (HEFCE) commissioned PA Consulting Group to assess current accountability arrangements within the higher education sector and to report on problems and make recommendations covering: alternative methods for discharging accountability; developing overarching systems; and looking at ways and means for sharing information.

This report summarises the findings and recommendations from that study, which was conducted between January and March 2000.

Since it is important to understand accountability arrangements from both the perspective of the organisation responsible for accountability and from the institutions being held to account, the study sought information on and the views of both stakeholder organisations and higher education institutions (HEIs).

Stakeholder Organisations

HEIs deal with a large range of external stakeholders, with a diverse range of interests in their performance and management. To capture this diversity we undertook a programme of interviews and follow-up investigations with a representative sample of the major stakeholders (see Appendix A).

Higher Education Institutions

We were particularly concerned to avoid the irony of a review of accountability itself imposing yet further burdens on HEIs. Accordingly, our HEI fieldwork was mainly focused on the University of Leeds and Leeds Metropolitan University. These were selected as complementary representatives of large teaching and research universities, whose accountability experiences would be typical of other large HEIs. In practice, the underlying experiences and costs we identified were also reasonably representative of smaller institutions.

Our work with the Leeds universities investigated in depth five particular aspects of accountability requirements which both institutions perceived to be the most burdensome: financial reporting, student returns, research assessment, teaching quality assessment, and *ad hoc* bidding schemes.

We would like to thank the Vice-Chancellors and staff of both Leeds universities and the management and staff of the stakeholder organisations we visited for their helpful support of the study. Our findings were tested with a Steering Committee of HEFCE and HEI representatives, to whom we would also like to express our thanks.

2. ACCOUNTABILITY TO WHOM AND FOR WHAT?

The accountability context for HEIs is inherently complicated, because institutions maintain multiple relationships with a diverse range of funders and other external stakeholders. Moreover, there is considerable overlap in the accountability interests of the community of higher education stakeholders.

HEIs in England receive over £6 billion of public money a year for which they are held to account – via statutes (e.g. higher education and science and technology Acts), regulations (e.g. the financial memorandum between HEFCE and each HEI), and contracts (e.g. with Research Councils, the Teacher Training Agency (TTA) and the National Health Service (NHS)).

The independent, self-governing status of HEIs does not absolve them from accountability for their use of public funding. In the words of the Nolan Committee: *“Wherever a citizen receives a service which is paid for wholly or in part by the taxpayer, then the government must retain appropriate responsibility for safeguarding the interests of both users and taxpayers, regardless of the status of the service provider”*¹.

Accountability in this context refers to the *purposes* for which public money is voted by Parliament, and the *conditions* under which institutions receive public funding. These purposes and conditions are embodied in the relevant statutes, regulations and contracts. Responsibility for assuring them is vested in the Accounting Officer chain, which extends from the Permanent Secretary of the sponsoring government departments via the Chief Executive of the relevant spending agencies (HEFCE, TTA, the Research Councils, etc.) to the designated Principal Officer, usually the Vice Chancellor or Principal, of each HEI.

But accountability expectations increasingly go beyond this fiduciary compliance to include the achievement of Government policy objectives, even when the service providers, namely the HEIs, are constitutionally independent of Government. The Government has placed increasing emphasis on securing specified outputs and outcomes from publicly funded activities in response to community expectations about improving service quality and policy effectiveness. This is reflected in output-based funding models and increasing attention to outcome-based performance targets.

Table 1 illustrates the range of internal and external stakeholders’ interests in HEIs, each of which manifests itself in an accountability requirement. The table also illustrates the multiplicity of stakeholder organisations to which HEIs must account.

¹ Second Report of the Committee on Standards in Public Life (Nolan Committee), Cm3270-1, May 1996. Nolan categorised HEIs as Local Public Spending Bodies for the purposes of considering their governance and accountability.

	Financial probity	Financial security	Risk management	Management systems	Cos/competitiveness	Value for money	Planning	Investment	Student statistics	Teaching quality	Research quality	Service quality	Ethics/responsibility	Environment
Governors	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Students					✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Staff	✓			✓		✓		✓	✓	✓	✓	✓	✓	✓
HEFCE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
NAO/PAC	✓	✓	✓	✓		✓		✓					✓	✓
QAA				✓				✓	✓	✓				✓
TTA (Ofsted)			✓	✓	✓	✓	✓	✓	✓	✓				✓
Professional bodies								✓	✓	✓				
UCAS							✓		✓					
HESA							✓		✓					
Research Councils	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
NHS	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
Charities			✓		✓		✓	✓			✓	✓		
Commercial clients			✓		✓					✓	✓	✓		
European Commission	✓		✓		✓	✓				✓	✓			
Banks/lenders	✓	✓	✓	✓	✓		✓	✓						
Overseas Govts					✓				✓	✓		✓		

Table 1 Stakeholder Interests in HEI Management and Performance

As Table 1 indicates, HEFCE, whilst the largest single stakeholder, is just one of many organisations holding HEIs to account, and itself is accountable to the Department of Education and Employment (DfEE) and HM Treasury (HMT) for the probity and effectiveness of the activities it funds. The accountability requirements imposed regarding, say, value-for-money, and the means for assuring that they are met can differ considerably between stakeholders. They may moreover be different from the internal assurance systems used by HEIs for their own purposes. Consequently, *prima facie* there is considerable overlap and potential for contradictions.

The need for HEIs to be properly accountable for their stewardship of public funds is taken as given. The question for this review is this: with the diverse array of stakeholder interests in HE and the resulting multiplicity of requirements placed on HEIs, is the current accountability regime cost effective?

3. WHAT IS EFFECTIVE ACCOUNTABILITY?

An effective accountability regime is one that assures public interests in the probity and performance of publicly funded activities, while minimising the burden on service providers. This section proposes four practical principles for balancing these aims.

New principles for achieving *better accountability* for public services are emerging from the Modernising Government agenda, intended to streamline the mechanics of government and to improve the results achieved. In the course of this study, we developed and tested a set of principles derived from the Modernising Government agenda, appropriate to the special circumstances of higher education. These key principles were, in summary:

- **Measure what matters** – accountability requirements should be framed in terms of outputs and outcomes wherever possible
- **Clarify relationships** – accountability arrangements between stakeholders and service providers should be based on a clearly stated relationship (for example agency, accredited supplier, contracted supplier or business partnership), and the consequent requirements should be articulated predictably, coherently and consistently within the terms of that relationship²
- **Seek mutual benefits** – accountability arrangements should seek to optimise the shared interests of both stakeholders and service providers, recognising and respecting the constitutional positions and obligations of all parties, and offering benefits to both parties
- **Add value** – accountability arrangements should minimise the costs on service suppliers and demonstrate tangible added value for the costs incurred.

Accountability arrangements that do not align with these principles are unlikely to meet the objectives of stakeholders, and are more likely to impose unnecessary burdens on higher education institutions.

These principles, and indeed the whole Modernising Government agenda, relate mainly to the processes for assuring and improving the *results* achieved through publicly-funded services. They go hand-in-hand with the requirements of assuring the regularity and probity of *how* public funds are spent, and for doing so cost effectively.

The framework below (Figure1) illustrates how all of these *better accountability* principles would ideally be applied within higher education. Accountability arrangements should operate on three related levels: the general relationship between stakeholders and institutions, the specific assurance processes appropriate to that relationship, and the flows of information to support those processes. At each level, better accountability principles should ensure focus, relevance and mutual value – and thereby work to better assure stakeholders and minimise the perceptions of burden on HEIs.

² See for example the Second Report of the Nolan Committee, para 373: “We feel there would be advantage in regulators and funders agreeing with the bodies in their field some kind of mutual charter or service agreement under which the regulator just as much as the regulated agrees to meet certain performance standards in addition to giving undertakings about ...the collection of information.”

We used this model to assess the effectiveness of current accountability activities in higher education in England and also to frame our proposals for moving towards a better accountability regime (see section 6).



Figure 1 A Framework for Better Accountability

4. CURRENT ACCOUNTABILITY ARRANGEMENTS ARE NOT COST EFFECTIVE

Current accountability arrangements fall short of the principles for better accountability and do not represent good value for either stakeholders or HEIs

4.1 LACK OF CLEARLY DEFINED RELATIONSHIPS

Relationships between Higher Education Institutions and Stakeholders

Figure 2 illustrates the variety of stakeholder interests in higher education, albeit suggesting a degree of organisation that is often hard to recognise in practice.

We found that the relationships between stakeholders and HEIs, and between stakeholders themselves, are often fragmented, unco-ordinated and insular. There was a distinct lack of the mutual understanding on which better accountability arrangements should be built. This, in turn has generated duplication and/or unjustified data requirements, intrusive checks and mutual misunderstandings.

In most instances, stakeholder/institutional relationships have grown up over years of custom and practice, usually reflecting pressures on the stakeholders from Ministers, Public Accounts Committee (PAC) /National Audit Office (NAO) and/or HM Treasury. Notwithstanding the nominal rationale for particular relationships (illustrated in the figure below) the outcome is a legacy of independently set, and seldom challenged, *ad hoc* accountability requirements which have not kept pace with the expectations from or circumstances of modern higher education.

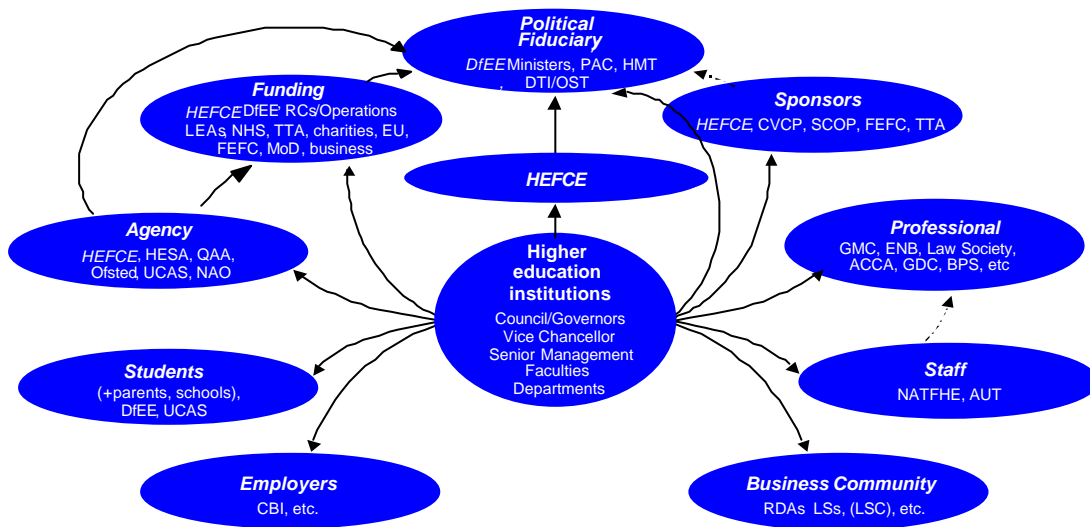


Figure 2 Stakeholders in the Higher Education Sector (see Appendix C for acronyms)

We found for example that the relationships between HEIs and stakeholders are generally not well documented or balanced in the terms recommended by Nolan. For example, the relationship between HEIs and HEFCE is made explicit only in the Financial Memorandum that governs the funding arrangements and conditions between HEFCE and each institution. Similarly, the Research Councils and TTA have contractual agreements with HEIs, but these are generally concerned with required outputs, reporting and payment procedures, and not with ongoing and value-adding relationships. Experiences with such arrangements vary at a local level – for example, the two Leeds universities told us that their relationship with the regional NHS Education and Training consortium worked well, with minimum burden, but this was clearly not the case in all regions.

The lack of clear accountability requirements between stakeholders and HEIs is exacerbated as each stakeholder itself is subject to various accountability obligations, often in different areas. For example, DfEE’s major concerns include the impacts of higher education on the employment market, whereas those of DTI and the OST are focused on the contribution of HEIs to industrial competitiveness. Further complication is added as some stakeholders use agents to oversee certain interests: for example, NAO advises Parliament and parent departments on the performance of non-departmental public bodies (such as HEFCE) and institutions, whilst the Higher Education Statistics Agency (HESA) and Quality Assurance Agency (QAA) work on behalf of HEFCE and DfEE, as well as for the sector.

Lack of Consistency in Relationships

We found a lack of consistency in the nature and scope of relationships between individual stakeholders and HEIs and their associated accountability requirements. Whereas a well-defined mapping of requirements to relationships would facilitate focus on “measuring what matters” for assuring stakeholder interests, the picture that emerges is of an amorphous spread of requirements. The diagram below maps this in terms of the formal basis of each relationship (conceived as a progression from direct line of command to contractual and partnership arrangements) and the focus of the related accountability requirements (conceived as a progression from controls over inputs to monitoring of outcomes).

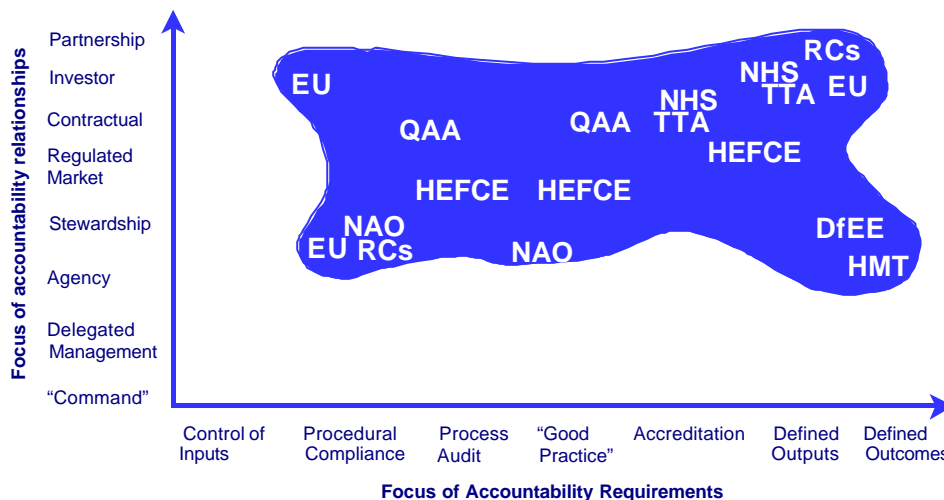


Figure 3 Current Spread of Relationships and Accountability Requirements

The map positions stakeholder organisations in terms of the implied nature of the accountability relationship between that stakeholder and individual HEIs. It is apparent that some stakeholders impose requirements that simultaneously imply different types of relationship – for example, Research Councils contract for specific outputs but also seek to audit inputs. The resulting “footprint” thereby reveals current accountability arrangements as an accumulation of unco-ordinated impositions, rather than a “designed” regime.

Lack of Clarity about the Role of HEFCE

The position of HEFCE is particularly important. As the leading funder and sponsor of the English higher education sector, HEFCE should be in a position to supply leadership in accountability relationships between the sector and Government stakeholder interests. In practice, however, HEFCE’s efforts to develop this role have been hindered by a lack of consensus over the appropriate balance and priorities in its relationships with HEIs and with other stakeholders.

HEFCE’s multiple functions are not clearly differentiated by HEIs. In particular, HEFCE’s development/partnering role gets confused with its probity role, “why do we have to jump through these extra hoops for ‘our’ money?”, or its information role with its value for money interests, so institutions think “what is the hidden agenda behind this request to see our estates plans?” Consequently, interventions intended to be helpful to the sector are sometimes interpreted as burdensome and/or intrusive.

Conversely, HEFCE’s efforts to work in partnership with institutions have sometimes been felt by other stakeholders, notably the PAC, as detracting from its Accounting Officer role of ensuring regularity, probity and value for money in institutional spending. There will inevitably be circumstances when HEFCE’s role with institutions is performed more that of regulator than partner. But effective partnership, appropriately founded, should minimise the incidence of such circumstances, and also reduce the extent of regulatory interventions.

Table 2 below lists perceived strengths, weaknesses and implications with respect to each of HEFCE’s five main functional roles, based on our discussions with HEIs and other stakeholder organisations. We discuss later, in Section 6, a framework for clarifying relationships between stakeholders and the role of HEFCE.

HEFCE Role	Strengths	Weaknesses	Implications
Funding	Stable & predictable baseline funding model	Weak links to strategy, outputs or teaching quality	Growth in <i>ad hoc</i> programmes geared to specific results
Planning	All HEIs produce strategic plans which feed CSR etc.	HEI plans have become bidding papers	Short-termism & opportunism continue
Developing	Good practice guidance, backed by programmes & performance indicators	Status & expectations re. good practice is confused	Good practice is treated as a compliance issue
Assuring	HEI health checks & audits warn of problems	Internal assurance systems do not satisfy stakeholders	Numerous overlapping audits & interventions
Informing	Student records & finance reports provide good data base	Other stakeholders impose separate data demands	Growth in duplicated, low value data returns

Table 2 Strengths, Weakness & Implications of HEFCE’s Functional Roles

4.2 LACK OF MUTUAL CONFIDENCE

A direct consequence of shortcomings in the relationships between stakeholders and HEIs is a reluctance by stakeholders to rely on HEIs' internal performance systems and management information to assure their specific interests.

The problem for stakeholders, including HEFCE, is the difficulty they can encounter understanding HEIs' internal governance. The devolved responsibility structures and collegiate decision-making characteristic of HEIs can appear byzantine to outsiders. At the same time, few HEIs have management information systems that can cast light on the key performance and risk variables. Consequently, stakeholders have overlain their own assurance and reporting requirements, generating costs for themselves as well as for institutions.

The extent and detail of these requirements, and the uniform level of rigour applied across all institutions, would appear to reflect stakeholder perceptions that HEIs represent high levels of risk to the taxpayer. Yet no stakeholder we interviewed expressed this view. Indeed, and despite signal exceptions, most remarked on the infrequency of control and/or performance lapses in the higher education sector, and on the minor nature of those problems which have occurred.

From the HEIs' perspective, we found widespread misunderstanding of stakeholder requirements. This often leads to HEIs expending far more effort than stakeholders had expected to meet what were intended as straightforward information requests (e.g. HEFCE's project capital allocation requirements). This is partly a reflection of poor communications, and also reflects the quasi-competitive context for much accountability activity. HEIs are often nervous that information provided to stakeholders may be used against them. The prospect of assessments, or even factual data about libraries or accommodation, appearing in published league tables is one inhibiting factor. Another is suspicion of a hidden agenda behind stakeholders' information requests.

For want of more effective communications, HEIs try to second guess the purpose underlying particular requests, and often assume that they are precursors to cost-cutting or preferential funding decisions. Ostensibly straightforward data returns are accordingly subjected to surprising levels of senior management scrutiny, to minimise risks of "backfiring candour".

While such "gold plating" of institutional responses is often unwarranted, there are aspects of accountability activity where these tactics are quite rational – for example, with regard to teaching quality assessments which will appear in league tables, or where specific funding allocations are genuinely competitive. The central issue in these instances is to ensure that the institutional behaviours encouraged by the accountability context are indeed those sought by the relevant stakeholders. There is a heavy onus on stakeholders to ensure that this is the case, and that efforts are not being displaced into meeting inappropriate compliance criteria.

4.3 UNCO-ORDINATED INFORMATION REQUIREMENTS

The information flows between HEIs and stakeholders are of two main types – statistical returns, and narrative responses to *ad hoc* consultative and guidance documents.

- **Statistical returns**, in the main, relate to student numbers and financial performance and are, for the most part, reasonably straightforward. Student returns are based around the Individual Student Record (ISR) developed by

the HESA. Most HEIs use the ISR for their own purposes, and the format meets the requirements of most stakeholders. Financial returns are similarly mostly based on standard published and management accounting formats.

HESA was founded in 1992 with the intention that it should become a one-stop-shop for information on HEIs. However HEFCE, TTA and other agencies still go direct to HEIs whenever they need specific data and/or rapid responses. The annual HESES return required by HEFCE is the most demanding example. Furthermore, there are some HESA reports which are not supported by HEIs' internal information systems and which appear to the sector to have little value – for example, the HESA Finance Statistics Return(FSR) and the December HESA student return.

- ***Consultative and guidance documents*** emanate in large numbers from all stakeholders. While each individual consultation exercise reflects stakeholders' attempts to inform and engage HEIs and is therefore potentially useful to HEIs, the paradox is that the cumulative effect of responding represents a significant burden on institutions.

5. THE IMPACT OF CURRENT ACCOUNTABILITY ARRANGEMENTS

Although there is a widespread perception of substantial accountability burden, neither HEIs nor stakeholders maintain any systematic cost or value data to support the perception. We present here a framework for understanding the cost impacts of accountability, and our estimates of the magnitudes involved.

5.1 METHODOLOGY FOR ASSESSING COST IMPACTS

Our framework for assessing the cost impacts of accountability, for HEIs and for stakeholders, is illustrated below. We have drawn a distinction between the “direct impacts” of generating and responding to specific accountability requirements, such as data returns, audit visits, etc., and the “indirect impacts” factored into ongoing institutional operations. In each category, we have further distinguished between the measurable costs (whether or not they are actually measured) and inherently unmeasurable or intangible cost impacts.

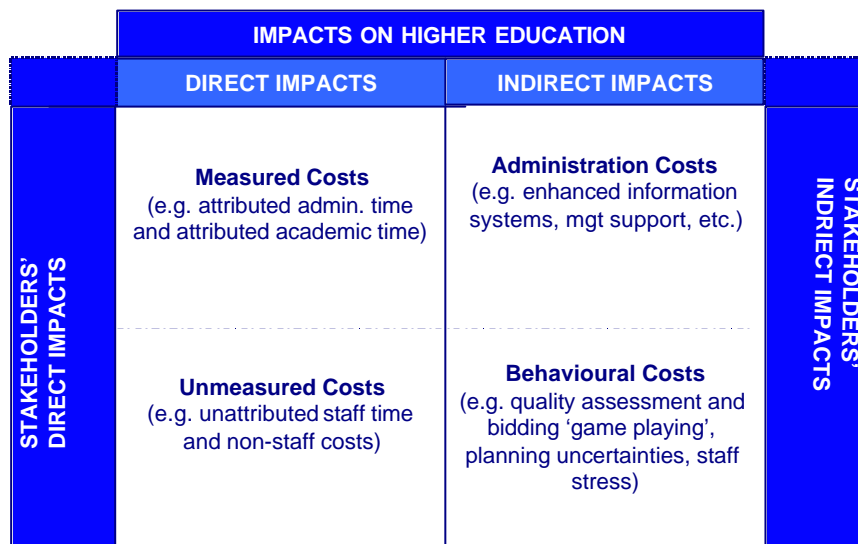


Figure 4 – Framework for Assessing the Cost Impacts of Accountability

The total costs incurred by HEIs as a result of external accountability arrangements are represented by the four quadrants in the diagram. **For the purposes of the study, a “burden” can be considered to arise where an accountability activity imposes costs that would not otherwise be incurred and where costs incurred are not justified by the benefits achieved for the HEI.** Certain accountability requirements may have beneficial impacts, leading, say, to internal system improvements or extra revenues, and these benefits should in part offset the costs incurred.

Our efforts to quantify the cost impacts of current accountability requirements had to address several complicating considerations:

- Direct costs (mostly staff time) are generally not measured, even if they relate to formal accountability activities (such as meetings and document preparation)
- The extent to which accountability requirements represent an addition to “normal” administrative requirements varies according to HEIs’ internal policies, processes and systems (i.e. where those internal arrangements are

aligned with external requirements, the perceived “burden” is low and the costs not separable)

- Much of the perception of burden is qualitative in nature and specific to the management culture and organisation of each institution.

In the absence of existing data to quantify the full impact on HEIs, we built up an indicative picture using a range of sources, including field work at the two Leeds universities, other research on accountability costs and illustrative examples of institutional and stakeholder experience.

In addition, costs are incurred by stakeholder organisations in administering accountability arrangements, such as conducting audit visits, data processing, etc. These are discussed in section 5.3.

5.2 ESTIMATING THE IMPACT ON HIGHER EDUCATION INSTITUTIONS

5.2.1 Measured Direct Impacts

We drew on a range of source to estimate the direct impacts on HEIs. At the two Leeds universities, we investigated six specific accountability activities; our findings with respect to direct academic staff time, costed at standardised hourly rates, are summarised in Table 3. The table also offers estimates for annualised costs for the higher education sector in England if the results from Leeds were to be extrapolated, based on the cost drivers shown.

	Annual Costs (either average of the two universities or range)	Cost Drivers	Sector Costs (extrapolation)
Student records (all)	£30,000	Number of students	£1.5 million
Finance and Staff Records	£5,000	Number of returns	£0.5 million
Research Assessment	£800-850 (per research active staff p.a)	Number of research active staff	£7.5 million
Continuation Audits	£80 - 100,000	Number of events	£2.5 million
Subject Reviews	£40 - 50,000 (Uofl) £80 - 180,000 (LMU)*	Number of staff involved	£30 million +
Bidding Schemes (excluding JIF)	£1-9,000	Number of bids placed	?£5 million

* The £180,000 estimate reflects the cost of a very large and complex provision across four academic departments, over 300 modules and in excess of 1500 students

Table 3 – Summary of Cost Findings from the Leeds Universities

Estimates for student returns include all such requirements and are perhaps relatively low because both Leeds universities have aligned their systems with external accountability requirements.

The HESA FSR is only one of a number of finance requirements but, unlike others, does not align with standard published management accounting formats and, therefore, is perceived to constitute a burden (of around three person weeks for each return).

Continuation audits incur a combination of academic and central administrative costs (and are here based on hypothetical data as neither university had been subject to a completed audit cycle at the time of the study).

Our findings on the RAE are broadly in line with those from a survey conducted by HEFCE after the 1996 exercise.

The wide variation in the costs associated with the QAA subject reviews at the two universities partly reflects differences in the activities each institution attributes to meeting the accountability requirement. Additionally, it is felt that the definitions of subjects for subject reviews are not as appropriate for modern universities as for traditional universities. Modern universities offer many more inter-disciplinary courses. Also, a single QAA subject such as Subjects Allied to Medicine may encompass a huge variety of provision in contrast to the tiny provision of a QAA subject such as Italian at a traditional university. With some “subjects” crossing schools, and even faculties, large costs are incurred in attempting to align the various components of the artificially simulated subject areas. Drawing on previous evidence from other HEIs, subject review costs have been found to range upwards from £25,000, or between 1,200 and 1,600 staff hours, although these estimates exclude time spent by department-based subject teams. Unpublished research by the Association of University Teachers (AUT) indicates that each subject review requires the equivalent of 1.8 years of academic staff time in the year the review is conducted, or approximately £50,000 per review. Adding these two sources indicates a total average cost per review of around £75,000, not out of line with experience at Leeds Metropolitan University.

The variations we found in the measured costs of accountability activities between the two Leeds universities - and indeed, for differences across different subject assessments within each institution highlight the need for caution in extrapolating costs across the sector. In particular, the upper end of the range of costs shown for subject reviews represents one particularly complex instance. Nonetheless, and taking a very conservative view of typical costs, the magnitude of measured costs across the English sector is likely to exceed £45-50 million a year.

5.2.2 Unmeasured Direct Impacts

It is unlikely that the measured costs estimated above accurately reflect the full direct costs resulting from the range of accountability requirements imposed on HEIs. First, our estimates do not include certain requirements. For example, bidding costs exclude the Joint Infrastructure Fund (JIF) and, therefore, will appear low to those HEIs that have been involved in the JIF programme. The University of Leeds incurred at least £350,000 in external fees related to its JIF bids, in addition to the (unrecorded) staff time, and informal indications from other HEIs suggest that this was not untypical³.

To capture the range of measured and unmeasured accountability activities, we referred to a survey of 2,600 academic staff undertaken by the AUT⁴ which indicated that teaching administration – including quality assessment and academic audit – took between 11.5% and 13.5% of recorded working hours, and research administration between 6% and 7.5% of recorded hours. We acknowledge that only a part of this time attribution related to complying with external accountability requirements. However, even if such requirements represented just 20% of total time

³ The JIF programme (supported by the HEFCE, the Office of Science and Technology and the Wellcome Trust) funds equipment and facilities for research. It was considered exceptional in the demands imposed and, hence, not typical of the on-going bidding context. It was therefore excluded from our study.

⁴ “*The Use of Time by Academic and Related Staff*”, by Stephen Court, in *Higher Education Quarterly*, Volume 50, No.4, October 1996

spent on administration – a figure that the academics we contacted felt was low – the total production cost impact would equate to around £160 million a year of academic staff costs⁵, that is, at least another £100 million worth of activity a year in addition to that captured above.

Estate and Other Incidental Costs

Subject reviews have been likened to a “royal visit”, with departments being repainted and refurbished in anticipation. At the University of Leeds, one department quoted building improvements brought forward because of a subject review at £50,000⁶.

Accountability activities also incur significant additional incidental costs that go largely unrecorded. One department at the University of Leeds detailed the incidental costs for a subject review at £9,000 – plus another £11,000 to replace a photocopier worn-out by all the paper work required. The paper work required for a subject review at the Dentistry Department at the University of Leeds covers a wall (see Figure 5). At Newcastle University, we were told of a case where the amount of paper generated for a Subject review afterwards filled two skips.



Figure 5 Paperwork required for a subject review at the University of Leeds

(The QAA is introducing a new and integrated method of reviewing quality and standards. It will operate in England from the start of the 2001-02 academic year. Its objective is to have a lighter touch in a method, which is designed to draw on existing documentation as far as possible so as to reduce significantly the need for special preparations beyond those undertaken for internal quality assurance).

5.2.3 Indirect Impacts

Corporate Support

There is no easy way of separating “business as usual” costs from the incremental demands of external accountability. For example, in line with many HEIs, Leeds Metropolitan University has a central Quality Enhancement and Development Unit supporting internal quality management processes and also providing a focus for external teaching quality and accreditation requirements. The annual running cost of this unit are around £350,000. Staff in the unit were clear that internal quality management processes are more elaborate than necessary, in order to satisfy external demands, and hence the costs are higher. As a different example of the

⁵ This represents 4% of the £4 billion departmental academic staff costs for the English higher education sector.

⁶ In this case there is no additional cost in the long run. However, in affecting the timing of the maintenance, it affects the HEI's ability to effectively plan its estates strategies and, therefore, remains an impact.

same effect, all undergraduate programmes at the University of Leeds are reviewed annually in line with their interpretation of QAA guidelines, at a cost of nearly

£1 million a year in staff time, whereas the University would otherwise regard biennial reviews as satisfactory. That implies around £500,000 per year of internal staff costs being incurred to satisfy external requirements, despite there being no QAA requirement for undergraduate programmes to be reviewed annually by the institution.

Although the total proportion of central administrative time devoted to meeting external accountability requirements is unknown, if only 20% of such staff time was driven by external accountability, this would represent salary costs equivalent to some £100 million per year, again indicating that the measured costs reflect only a proportion of the total.

Systems Enhancements

Both Leeds universities are about to upgrade their management information systems. A major factor in specifying these systems is the need to have data capture and reporting capabilities with the flexibility to deal with multiple and changing external demands – adding to system costs. It is not practical to estimate the imposed uplift on these costs, but as HEI management systems typically cost several million pounds even a small enhancement to the functional specification can add significant absolute costs. Such enhancements are clearly incremental and serve little internal purpose, and therefore are seen by HEIs as an unwonted burden.

5.2.4 Behavioural Costs

Discussions with academic staff during the study revealed they often work long hours to fit accountability-related work around their teaching and research commitments. The AUT found that teaching staff worked an average of 55 hours a week during term time, with more senior staff (most likely to be involved in quality assessments, bids and reporting) working upwards of 60 hours a week. “Administration” – including that element attributable to accountability – was seen to be the driver for excessive hours worked, especially in the run up to assessment and accreditation visits. At the same time teaching and, in particular, research suffered, although it is not possible to attach a money equivalent to the impact.

Excessive hours are, in part, a product of the “excessive” preparations for teaching assessments, going well beyond what is expected by QAA and others. The publication of league tables makes academic staff feel compelled to work for the highest possible score in terms of the assessment criteria, whether or not this leads to better quality teaching.

At the same time, teaching and research assessments put academics’ professional reputation and even their careers at risk. It is not surprising then that quality assessments are known to affect staff morale, especially when departments do not do as well as expected, and may well contribute to the reported problems of staff retention and recruitment (although we found no specific evidence for this).

Accountability requirements can encourage inappropriate behaviours in the planning and delivery of teaching and research, for example:

- Game playing in response to Research Assessment criteria, e.g. producing more but shorter articles for publication (rather than less frequent seminal pieces); discouraging cross-disciplinary and applied research; and tactically shifting research staff between departments to optimise RAE scores.

HEFCE's review of research funding policy has confirmed that game playing exists, but casts doubt on the extent and negative impacts⁷

- Positional planning – submitting strategic plans designed to ensure that the HEI is positioned to bid for whatever *ad hoc* funding opportunities arise – was described by one vice-chancellor as follows: “The strategic plans submitted to HEFCE are not the strategic plans of the institution. They are bidding documents to position ourselves in anticipation of when the inevitable ‘special initiatives’ come round”⁸
- Uncertainties over the outcome of particular accountability activities, in particular bidding, incur “planning blight” costs. HEIs may wait months to know the outcome of particular bids, during which time other decision-making processes may be held up. Where bids require matching funds, HEI resources can be tied up – unnecessarily if the bid is unsuccessful. The uncertainties posed by the RAE on planning for research staffing and investment were also cited during the study.

5.3 THE “BOTTOM LINE”

There is no simple bottom line to the accountability burden on HEIs. The elements of cost impacts are different in kind – some measurable, some not. They are also experienced differently by different HEIs and academics. With these qualifications in mind, however, Figure 6 illustrates the impacts.

		IMPACTS ON HIGHER EDUCATION			
		DIRECT IMPACTS	INDIRECT IMPACTS		
STAKEHOLDERS' DIRECT IMPACTS	Est. cost = £70 million	Measured Costs (e.g. attributed admin. time and attributed academic time) Est. cost = £45-50 million	Administration Costs (e.g. enhanced information systems, mgt support, etc.) Est. cost = £100 million	STAKEHOLDERS' INDIRECT IMPACTS	Not Quantifiable
		Unmeasured Costs (e.g. unattributed staff time and non-staff costs) Est. cost = £100 million	Behavioural Costs (e.g. quality assessment and bidding 'game playing', planning uncertainties, staff stress.) Not quantifiable		

Figure 6 – Total Cost Estimates for Accountability in the Higher Education Sector

While a precise estimate of the costs of external accountability is not possible, let alone estimating the additional costs – or burden – there is sufficient evidence to indicate that the “bottom line” is significant – both in terms of tangible costs and intangible impacts.

5.4 STAKEHOLDER COSTS

In addition to the cost impacts on HEIs, the principal stakeholder organisations incur operating costs of the order of £70 million a year, much of which results from administering higher education accountability arrangements.

⁷ See for example the lead article in “Research Fortnight”, Vol.6, No.9, 23rd February 2000

⁸ The vice-chancellor (not from Leeds) wishes to remain anonymous.

The question arises whether stakeholders are getting value for money from the costs incurred. Schemes and requirements found burdensome by institutions are often equally time consuming for the administering agencies (JIF has been a good example). Our study shows that the current accountability regime is neither as efficient nor as effective as it could be, for institutions and for stakeholders. The implication is therefore that there are significant value for money gains to be made by stakeholders through improving accountability arrangements.

6. ENVISAGING BETTER ACCOUNTABILITY

The corollary of ineffective accountability arrangements is a major opportunity for step-change improvement.

The accountability arrangements described in this report generally reflect historical responses to past pressures, rather than the best solution to current needs. In this section we suggest a vision for accountability that would result in the kind of arrangements which both stakeholders and HEIs want, not those they have inherited.

6.1 ACCOUNTABILITY ARRANGEMENTS FIT FOR PURPOSE

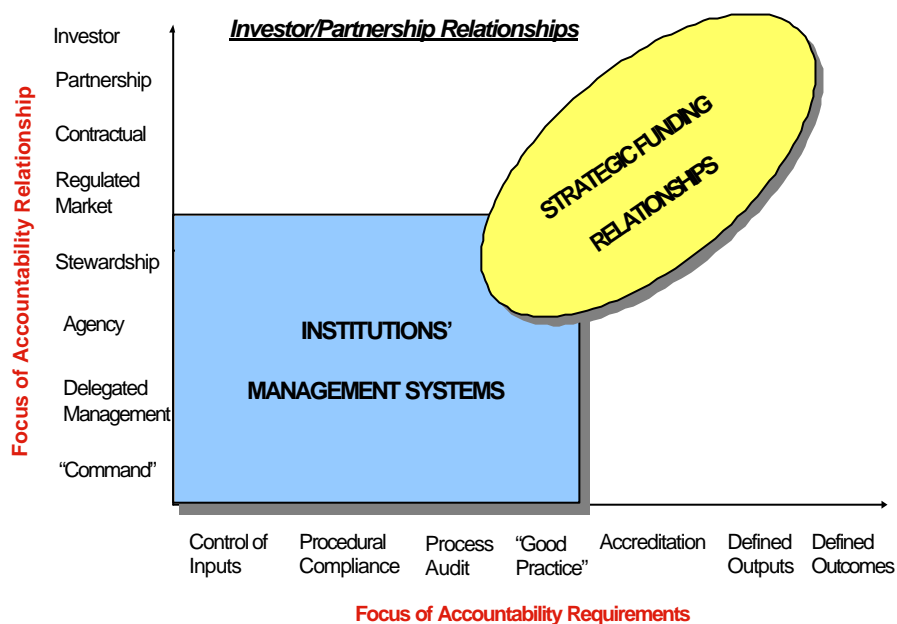


Figure 7 Potential Focus of Relationships and Accountability Requirements

The scope and focus of accountability arrangements emerging from such reforms should be appropriate to *and consistent with* the particular relationship between individual stakeholders and HEIs. A relationship/requirement map more appropriate to the current nature of stakeholders' interests is proposed below.

The basis for accountability relationships, and associated requirements, in a more focused regime would be a new model, which we have called the *investor/partnership model*. This brings together two key elements of the Modernising Government agenda for securing effective public services – investment in responsive, high quality service provision, and partnership with service providers to secure shared goals.

The *investor* dimension is in recognition of the aims of HEFCE and other HEIs agencies to encourage and support HEIs to develop programmes and strategies which deliver the policy outcomes sought by Government. The *partnership* dimension is in recognition that such investment is for the long term, and capitalises on the mutual dependencies between stakeholders and higher education institutions, in which each needs the other to realise their goals. It also affirms that long-term

success can only come from aligning those goals and working together to achieve them.

In terms of our relationship/requirements framework, the effect of applying these principles is to move the accountability focus towards the top right of the relationship/requirements map, and also to emphasise the concomitant onus on HEIs to satisfy stakeholders that they are assuring the “Accounting Officer” fiduciary issues of probity, risk controls and value for money.

The extent and success of this reciprocal response will determine the practical limits to the investor/partner model, since failures of institutions’ management controls – which, it bears repeating, have been rare – will continue to trigger regulatory interventions to protect public funds and assets.

In practical terms, applied to the three levels of our *better accountability* framework, the investor/partnership model should lead to the following outcomes, shown in Figure 8.



Figure 8 – Practical Impact of Investor/Partnership Model

Key features of this new regime are:

- **Closer Collaboration Between Stakeholders** – the premise of the better accountability regime is that stakeholders will work together to establish shared information and assurance frameworks for meeting their interests and obligations. Where one agency, whether HEFCE or HESA or QAA etc, has in place effective arrangements for meeting particular accountability requirements, the objective should be for other agencies to use those arrangements (strengthened or extended if necessary) to meet their own needs.
- **Greater Reliance on HEIs' Internal Management Controls** – an important corollary of greater alignment of stakeholder arrangements would be moves by HEIs to demonstrate that they do have appropriate and effective internal assurance procedures for controlling inputs, spending procedures and delivery processes to the standards expected for publicly-funded activities. “Light Touch” application of Accounting Officer obligations depends on real progress in this regard. For many institutions this may simply entail greater transparency in their dealings with HEFCE and other stakeholders. For

some others, it will require substantial improvements to their internal management systems.

- **Better Integration of the “Assurance Chain”** - institutions’ spending and performance is subject to numerous layers of assurance, from internal and external audit through HEFCE’s regular audit and institutional health processes to the assurance activities of NAO and other funders up to central Accounting Officers, the Comptroller and Auditor General and PAC. A primary aim of moves to better accountability is to get these layers of assurance complementing each other as one “assurance chain”, working towards a single view of the strengths, health and performance of each institution.

6.2 FORMALISING STAKEHOLDER/HEI RELATIONSHIPS

A first step in building the investor/partner model is to establish clear and appropriate working arrangements between stakeholders and institutions. We propose more open and structured “rules of engagement” between HEIs and stakeholders, embraced in written accountability agreements. Codes of practice exist already, for example from the Research Councils and from QAA; yet they do not generally say enough about the results and benefits that stakeholders and HEIs should expect from the relationship, nor do they give due weight to the role of HEIs’ own management assurance processes.

A framework for establishing accountability arrangements, which meet the four principles of better accountability is shown in Figure 9. The framework offers a basic structure for establishing what the stakeholder/investor and institution/partner are respectively seeking to achieve through their relationship, the business results it should deliver, the commitments sought from the institution to assure the stakeholder’s interests in probity, VFM, risk and outcomes, and also the commitments the stakeholder as investor and customer makes to the partner HEI. The accountability requirements would incorporate the basic conditions of funding (regularity, propriety and VFM), and would reflect agreement on the most cost-effective ways of assuring them.

The framework could be used first to confirm and clarify current accountability expectations – it proved very useful to this end during our study - and then as the basis for dialogue to develop more constructive HEI/ stakeholder arrangements.

5. Stakeholders’ undertakings, e.g.: - good practice - agreement re data & other req’s - feedback on data provided - change control - dispute resolution	2. Statement of agreed relationship between stakeholder and higher education institution re: - services/activities covered - basis of relationship (e.g. statute, funding, contract)	
	1. Stakeholder’ Mission strategy and objectives (with regard to higher education)	3. Statement of business requirements covering: - outputs sought - processes expected - quality criteria - other expectations e.g. VFM, public policy compliance
4. Accountability arrangements to be applied: - management processes and controls - data returns and reports - sanctions/clawbacks - audits and inspections - (joint) post hoc reviews		

Figure 9 Framework for Stakeholder/HEI Relationships

6.3 MUTUAL CONFIDENCE

Confidence cannot be prescribed but must be built on positive experience. The starting point for this should be a dialogue around the proposed framework for stakeholder/HEI relationships to focus requirements and make both parties' expectations transparent. The availability and adequacy of HEIs' internal information and systems should feature prominently in such discussions, and the assumption that these will be relied upon by stakeholders unless they are clearly inadequate for their needs (in which case the parties should agree on measures to improve them).

Published league tables, with their implied judgements about the relative merits of institutions, have been an inhibiting factor in developing openness between HEIs and stakeholders. They are nonetheless an established feature of public service management, in HE and far beyond, and will remain a fact of accountability life. The key issue, as noted earlier, is to ensure that the comparative metrics published by stakeholders are carefully designed to reflect and encourage effective management of public interest outcomes, and are not simply measures of success in artificial compliance activities.

6.4 CO-ORDINATED INFORMATION REQUIREMENTS

During the study we were struck by the limited extent of information sharing, still less collaboration, between stakeholder organisations. It will be hard to achieve a more focused, more effective accountability regime if the main players are not actively talking to each other.

We see merit in establishing an occasional Forum for the major stakeholder organisations, at which issues arising from higher education accountability arrangements can be aired and agreement reached on future collaborations.

The HE Forum would not be some "super-stakeholder". Rather it would provide an occasional vehicle for stakeholders and institutions to agree moves towards accountability arrangements which better meet the different needs of individual stakeholders whilst reducing any implied burden on HEIs. The Forum could establish a shared agenda for change, to be agreed with HEIs, which would start to embed better accountability in higher education. Section 7 offers options for such an agenda.

6.5 THE BENEFITS OF BETTER ACCOUNTABILITY

The benefits from changes proposed in this report would be far-reaching and multi-faceted. For HEIs they would mean:

- **Reducing the amount of accountability activity** – even a 10% reduction in the measurable production costs – a feasible goal based on the changes proposed here – could be worth more than £25 million in released opportunity costs to the sector
- **Significantly enhancing the value of stakeholder relationships** – improving the benefits through working in partnership to develop mutually useful information
- **Reducing real and perceived regulatory burdens** – resulting from qualitative impacts of current activities and engendered through gaps in communications and concerns about "hidden agenda".

The prize for HEIs is enhanced institutional autonomy and strategic discretion from working in partnership with stakeholders towards shared (rather than imposed) objectives.

For stakeholder organisations the benefits from the proposed changes would mean:

- **Reducing costs** – by reducing redundant and duplicated accountability requirements and making use of opportunities for collaboration and information sharing
- **More effective assurance** – improving stakeholder confidence in their dealings with HEIs should reduce concerns about risk and uncertainty, and would enable them to vary their requirements according to the specific circumstances of individual HEIs.
- **Improved value for money from programme funding** – better partnership working to achieve shared interests in policy results, with accountability focused on supporting improved performance rather than protecting against failures, would lead to better outcomes from HEFCE's and other funding bodies investment in the sector.

The prize for stakeholders is greater confidence that policy objectives will be met, whether in terms of the numbers and quality of graduates or research outputs, or in terms of tangible progress towards social or economic goals (wider opportunities, enhanced competitiveness, regional regeneration, etc.).

Adopting the better accountability and investor/partnership principles and practices outlined in this report would place the higher education sector in the vanguard of the Government's Modernising Government programme. The sector has an opportunity not just to modernise the accountability legacy it has inherited, but to re-invent the relationships between stakeholders, policy makers and HEIs as an exemplar of modern public sector management.

7. MOVING TOWARDS BETTER ACCOUNTABILITY

In this section we present practical development propositions which would begin a process of moving towards the outcomes described in the previous section. The purpose of subsequent consultations will be establish the priority and acceptability of these propositions to stakeholders and HEIs.

7.1 PROPOSITIONS FOR BETTER ACCOUNTABILITY

Moving towards the better accountability regime envisaged in this report will take time, not least to test the feasibility of more open and collaborative working between stakeholder organisations. The aim, therefore, should be to develop and build upon a progressive programme of specific improvements, on the three levels of our better accountability framework (clearly defined relationships, systems based assurance, and streamlined information flows), through measures which have merit in themselves as well as demonstrating the new model in action.

In Appendix B we present a series of development propositions that could form the basis for such a programme. The propositions each represent a response to the problems identified from our review, and would offer benefits for both stakeholders and institutions.

7.2 A PROGRESSIVE PROGRAMME OF REFORMS

We do not propose that all of these possible reforms should be implemented at once, not least because the disruption of so much simultaneous change would probably be more onerous for institutions and stakeholders than the current accountability regime. Since each proposition would offer benefits in its own right, we envisage that a limited number of changes, commanding support from both institutions and stakeholders, should be selected as both tests and exemplars of the general changes we advocate. If and when these changes are seen to have succeeded, then further measures could be adopted to take the process further in second and subsequent rounds.

Taken together, and over time, the changes proposed here would amount to a very different set of accountability relationships and arrangements to those that have contributed to the problems identified in this study. The cumulative impact would largely eliminate perceptions of burden, and would lead to much more effective collaboration between the Government, its agencies and the HE sector.

We recognise that these aspirations might seem optimistic to those doing battle with current accountability arrangements. Nonetheless, given the positive will for change expressed to us during the study, both by stakeholder organisations and HEIs, we believe they are achievable. The benefits they offer are certainly worth working for.

7.3 NEXT STEPS

The first phase of this review has identified a number of significant opportunities for reducing the current burden, and for improving the effectiveness of accountability arrangements in the HE sector. Realising these opportunities will require further work to develop the specific change projects we have proposed in the working relationships and practices within each accountability activity.

Many questions remain to be resolved at this practical level, such as:

- Should requirements and practices be varied for different groups of institutions?
- What changes would be implied for staffing and systems?
- What changes to current processes would be needed to enable rationalisation?
- And importantly, do the tangible benefits justify the costs of reforms?

These issues are best addressed within the evaluation of specific propositions; they cannot be resolved as theoretical questions.

The next steps for the review are therefore to agree, with stakeholders and institutions, a number of specific development projects to be carried forward. These should serve as tests of the practicality and benefits of the propositions emerging from the initial review. The projects would be designed to report on the practical scope for, e.g. rationalising data exchanges, on the requirements for realising the opportunities, and on the costs and potential benefits of specific proposals for change.

The outcomes from the selected development projects would then provide a practical basis for further discussions between stakeholders and institutions on the appropriate strategy for better accountability. The suggested HE Forum would be a key vehicle for these discussions.

APPENDIX A:STAKEHOLDER ORGANISATIONS CONSULTED IN THIS STUDY

Central Government

- Department for Education & Employment, HE Directorate (DfEE)
- HM Treasury, Education and Training Division(HMT)
- Office of Science and Technology(OST)
- The Cabinet Office

We also had extensive discussions with the National Audit Office (NAO), which has a central policy remit for HE, albeit as an agent of Parliament, not as a central Government agency.

Funding Bodies

- The Higher Education Funding Council for England (HEFCE)
- The Engineering and Physical Sciences Research Council (EPSRC)
- The Teacher Training Agency (TTA)
- The National Health Service Executive (NHSE)
- The North of England NHS Education and Training Purchasing Consortium (NEETC)
- The Further Education Funding Council (FEFC)
- The Wellcome Trust

Other Organisations and Agencies

- The Quality Assurance Agency for Higher Education (QAA)
- The Higher Education Statistics Agency (HESA)
- The Universities and Colleges Admissions Service (UCAS)
- The Committee of Vice-Chancellors and Principals (CVCP)
- The Association of University Teachers (AUT)
- The Joint Information Systems Committee (JISC)
- The Joint Costing and Pricing Steering Group (JCPSG)

APPENDIX B: PROPOSITIONS FOR FURTHER DEVELOPMENT

PROPOSITION	PURPOSE	AIMS
Rationalise data exchanges	To restructure and streamline stakeholders' data requirements and collection processes, to better inform their key accountability needs and align them with institutional Management Information Systems	To reduce data collection costs and to provide better information for internal and external stakeholders which will allow for the development of e-commerce opportunities
Rationalise stakeholder assurance processes	The alignment of all processes used by stakeholders to assure their interests in HEI management systems	To achieve improved transparency and confidence in internal processes, which provide reduced costs
Maximising the value of assurance	To ensure that assurance systems are achieving the aims of both stakeholders and institutions	To enhance the effectiveness of the various assurance systems, and to reduce their opportunity cost
Improved transparency and practice in accountability for policy outcomes	To align HE sector participants to achieve policy objectives	To ensure that internal stakeholder and institutional processes are working towards a shared policy agenda
Rationalisation of ad hoc bidding schemes	To rationalise the funding allocation system in support of a more effective strategic plan	Closer integration of funding schemes, policy objectives and institutional strategies
Develop investor/partner model	To develop the investor/partner model to draw out the benefits that it will present to the higher education sector	To produce an architecture within which the sector can advance its change agenda

APPENDIX C: GLOSSARY

• ACCA	Association of Chartered Certified Accountants
• AUT	Association of University Teachers
• BPS	British Psychological Society
• CBI	Confederation of British Industry
• CSR	Comprehensive Spending Review
• CVCP	Committee of Vice-Chancellors and Principal
• DfEE	Department for Education and Employment
• DTI	Department of Trade & Industry
• EDI	Electronic Data Interchange
• ENB	English National Board for Nursing
• EU	European Union
• FSR	(HESA) Finance Statistics Return
• FEFC	Further Education Funding Council
• GDC	General Dental Council
• GMC	General Medical Council
• HEFCE	Higher Education Funding Council for England
• HEI	Higher education institutions
• HESA	Higher Education Statistics Agency
• HESES	Higher Education Students Early Statistics Survey
• HMT	Her Majesty's Treasury
• ISR	Individual Student Record
• JIF	Joint Infrastructure Fund
• LAs	Local Authorities
• LSC	Learning and Skills Council
• LEA	Local Education Authority
• MIS	Management information systems
• MoD	Ministry of Defence
• NAO	National Audit Office
• NATFHE	National Association of Teachers in Further and Higher Education
• NHS	National Health Service
• OFSTED	Office for Standards in Education
• OST	Office for Science & Technology
• PAM	Professions Allied to Medicine
• PAC	Public Accounts Committee
• QAA	Quality Assurance Agency for Higher Education
• QMS	Quality Management Systems
• RAE	Research Assessment Exercise
• RC	Research Council
• RDA	Regional Development Agency
• SCOP	Standing Conference of Principals of Colleges of HE
• TQA	Teaching Quality Assessment
• TTA	Teacher Training Agency
• UCAS	Universities & Colleges Admissions Service
• VFM	Value For Money