Working smarter

The next level of university efficiencies

Universities
Scotland

foreword

Scotland's universities have a proud record of working together to achieve efficiency. The sector has strengths on which to build and best practice to share with other sectors. Universities have consistently exceeded government targets for efficiency, surpassing the government's target by £27 million in the last three years alone. We have shown leadership in shared procurement, shared IT and energy efficiency. We also accept the need, as a recipient of public funding, to move further and faster with the efficiencies agenda.

That is why I have agreed to convene a short-life, high-level Universities Scotland Efficiencies Taskforce. This will map out the next stage of how universities can ensure that the public re-investment Ministers have promised to us is targeted most effectively at delivering high-quality provision for learners, supporting internationally-excellent research, and helping business to benefit from universities' expertise.

Scottish universities are already playing a leading role in a UK-wide initiative to realise efficiencies in higher education. Led by our own Professor Ian Diamond, Principal of the University of Aberdeen, Universities UK's Efficiency & Modernisation project sets an ambitious agenda for universities. Progressing the outcomes of the Diamond Review alongside those of the Christie Commission, the McClelland review of public sector ICT and the sector's own work on shared ICT services requires a renewed focus and impetus.

This report highlights the distance we have already come in building a lean, collaborative approach to supporting universities' front-line teaching, research and knowledge exchange activities. We are ambitious for Scotland, and we are ambitious to spend every pound of our resources in a way which helps to realise this.

Professor Seamus McDaid
Principal of the University of the West of Scotland,
Convener, Universities Scotland Efficiencies Taskforce

Executive summary

For the first time since devolution, the Scottish Government's budget faces sustained real-term cuts. Efficiency will play a central part in how Scotland is able to meet this challenge and Scotland's universities recognise the Scottish Government will be looking to them, and to every other organisation in receipt of public funding, to deliver ambitious savings over and above those which they have already achieved.

The report reviews universities' recent performance on efficiency, highlighting examples from the range of initiatives to give a sense of the sector's progress and achievements to date. Universities have consistently delivered against efficient government targets, have responded to the Government's agenda for public procurement and have sought to embed the principles of collaboration and shared services.

More importantly, the report looks ahead. Having worked hard to drive significant efficiencies for many years, the challenge ahead is all the greater. This is why Universities Scotland has chosen now to bring together an Efficiencies Taskforce. This challenge will by tackled by developing a strategic approach to enable universities to continue to deliver efficiencies on the scale demanded by the situation. In order to find an approach which can deliver the 'next-level' of efficiency it borrows from the experience and knowledge of others including Sir John Arbuthnott and Dr Campbell Christie.

"Universities stand ready to meet their efficiency obligations over the next five years. We recognise more of the same will not be be sufficient. This is why Universities Scotland has chosen now to bring together an Efficiencies Taskforce."

Headlines

Universities have embraced the Efficient Government Initiative (EGI) and its successor the Efficient Government Programme (EGP). Working to this agenda universities have:

- **delivered £123m of cash-releasing efficiencies in the last three years**
- **saved £17.5m per annum through shared service procurement**
- **developed over one-hundred examples of shared service and collaboration**
- **been recognised as an example of good practice on shared ICT infrastructure**

To build on this work and deliver efficiencies at the next level, Universities Scotland has:

- Established an Efficiencies Taskforce bringing together estates, finance, personnel, ICT and procurement professionals from across the sector to take a comprehensive approach
- Drawn on the experience and recommendations of others in this field
- Created a framework of criteria against which to test the sector's efficiency agenda
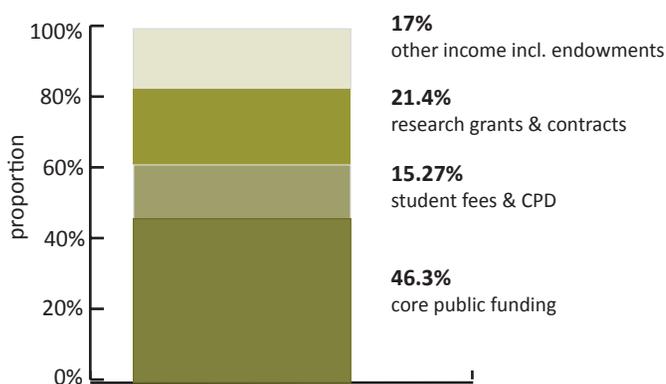
Universities stand ready to meet their efficiency obligations over the next five years. We recognise more of the same will not be sufficient and that efficiency will be an even bigger part of the future for every recipient of public funding. However, efficiency is not a panacea and it cannot be a substitute for the necessary investment of public funds. Universities still require adequate levels of public investment in teaching, in research and in estates to help them continue to lever-in equivalent levels of private and international investment. It is through income generation as well as efficiency savings that universities are able to make the public pound go further. It's crucial for Scotland that our universities remain competitive - over £1 billion of income the sector brings to Scotland from the rest of the UK and beyond depends on it.

Sector overview

INCOME

The Scottish Government makes a significant annual investment in Scotland's 19 universities and it is important that universities make best use of this money. However, the core public funding universities receive only accounts for 46.3 per cent of the sector's total income (fig 1). The remaining 53.7 per cent, universities win in competitive processes on the basis of their quality. The ability to generate more than half of all income from other sources, is a distinctive quality amongst most recipients of public funding in Scotland. It is through income generation of this kind, as well as efficiency, that universities are able to make public investment go further.

Fig 1: Income by source 2009/10

17%
other income incl. endowments

21.4%
research grants & contracts

15.27%
student fees & CPD

46.3%
core public funding

Source: Higher Education Statistics Agency (HESA) Finance Return 2009/10

Figures 2 and 3 show the increase in income generated from international fees and competitively-won research grants respectively. Using public funding as a base, universities were able to increase their income from international fees by 81.5 per cent over a five year period. Similarly, over the last three years, universities have increased their income from competitively won research contracts by 22 per cent (from a higher base).

Growth in revenue from private sources cannot be expected to continue exponentially, particularly given the economic climate. However, universities will continue to be proactive in diversifying their sources of income.

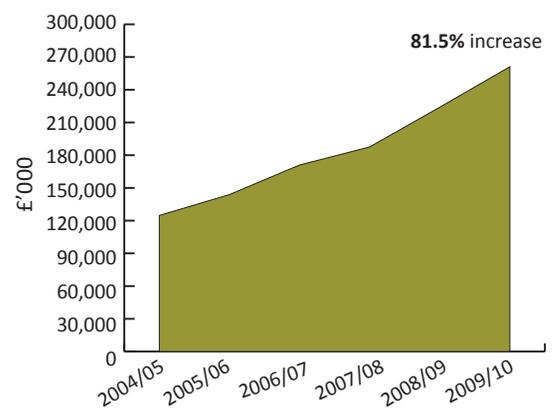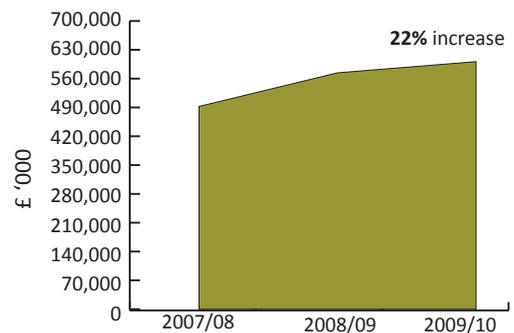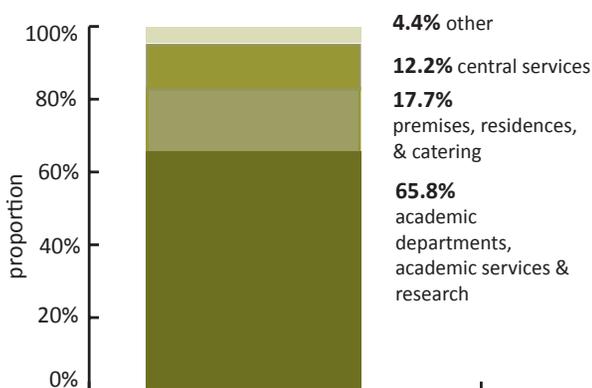**Fig 2: Growth in income from international fees**

81.5% increase

Fig 3: Growth in competitively-won research income

22% increase
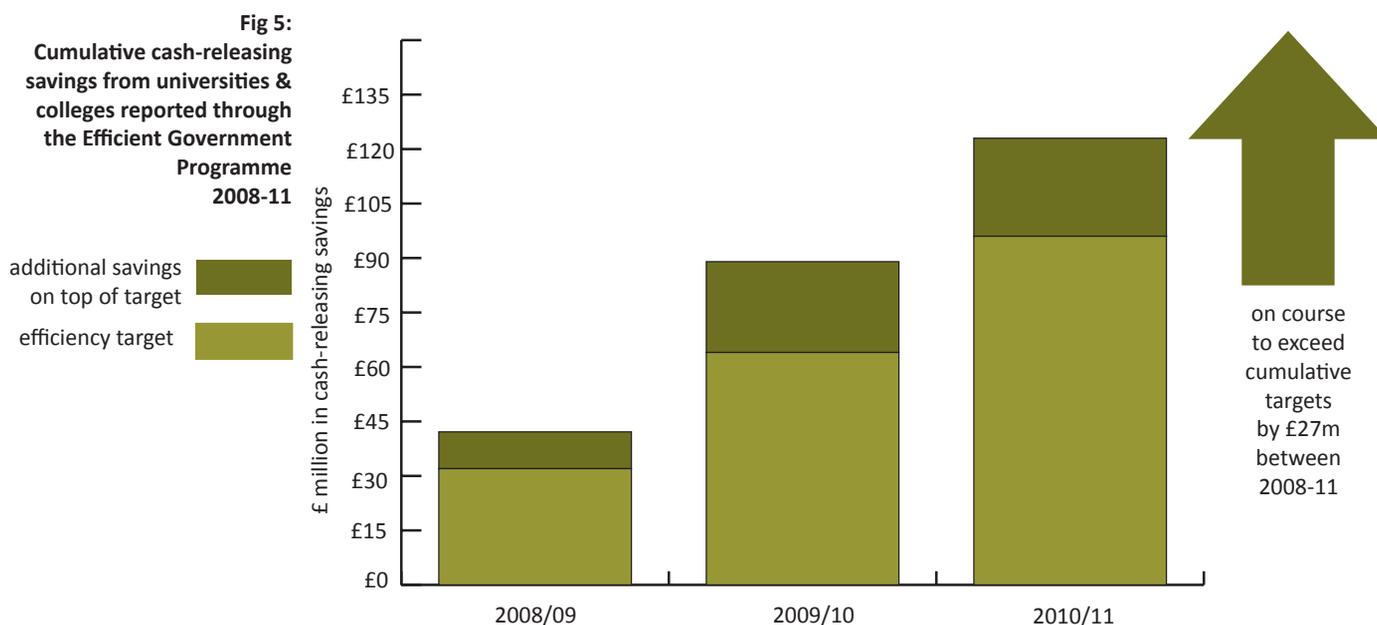
Source: HESA Finance Return 2009/10

EXPENDITURE

In developing a strategy for future efficiency savings, it is important to review what the sector spends its money on. As you would expect of an industry so reliant on its people, staff is universities' single biggest expenditure at 57.1 per cent of total spend. Looking at expenditure another way, as shown in figure 4, 65.8 per cent of the sector's total expenditure goes on the core activities of teaching and research. Performance in these core areas has been found to be highly efficient with a joint Scottish Government, SFC and Universities Scotland report from 2010 finding that: *"Scotland... performs in the top quartile on measures of research efficiency"*(1).

Concentration on core activities has been a key feature of universities' approach to efficiencies. Taking forward the shared services agenda and adopting a collaborative approach to use of university premises are just two examples of many ways that universities have looked to drive down their cost base, ensuring that resources are concentrated on the academic front line.

Fig 4: Expenditure by activity 2009/10

4.4% other

12.2% central services

17.7%
premises, residences, & catering

65.8%
academic departments, academic services & research

Source: HESA Finance Return 2009/10

An established culture of efficiencies

Active participation in both the Efficient Government Initiative (EGI) since 2005 and its successor the Efficient Government Programme (EGP) has embedded an established efficiencies culture within universities. Together, the higher and further education sectors have been successful in meeting and exceeding the efficiency targets set by the Scottish Government over the last six years.

Since 2008, as part of the Efficient Government Programme, public sector bodies have been required to deliver 'cash-releasing' savings of two per cent per year. Figure 5 below shows delivery of university efficiencies as measured against the targets set. Over the 2008-2011 phase of the EGP, universities and colleges collectively exceeded the cumulative £96 million target by £27million, generating £123 million of cash-releasing savings.

Fig 5:
Cumulative cash-releasing savings from universities & colleges reported through the Efficient Government Programme 2008-11

additional savings on top of target

efficiency target

on course to exceed cumulative targets by £27m between 2008-11

SOURCE: Scottish Government Efficiency Outturn Reports, 2007/08, 2008/09, 2009/10. Data are shown for the university and college sectors collectively as this is the format of the Scottish Government's EGP outturn report.

The Efficient Government Initiative ran from 2004 to 2008. It collected time-releasing savings as well as cash-releasing savings. Collectively, across both efficiency drives, universities and colleges have generated £162 million in total cash-releasing savings and £74 million in time-releasing savings over the last six years.

Leaders in shared procurement

Box 1: McClelland Report Assessment Levels for procurement

| level 0	non-conformant
level 1	conformance
level 2	improved performance
level 3	superior performance

Universities are major purchasers, spending over £700 million in non-staff pay. In contrast to most of Scotland's public sector, only one pound in every two spent by universities is public money. Even so, universities fully recognise the need to operate according to the highest standards of procurement practice to get the best value for every penny of the public pound.

Universities are clear leaders in delivering on joint procurement when compared to other publicly-funded bodies. Collaboration is well established and has been a feature of procurement in the higher education sector for decades.

The Scottish Government produces guidance in the form of Procurement Capability Assessments (PCAs) to help public-sector organisations achieve the best standards of public procurement (2). PCAs also assess each sector's capability against common procurement standards with four assessment levels helping to determine progress. Defined by McClelland in his 2006 *Review of Public Procurement in Scotland,* the levels run from 0-3 in ascending order (box 1)(3). According to the Scottish Government's system of PCA's, 88 per cent of universities and colleges were rated in the highest PCA categories 'superior' or 'improved' in 2009/10. The comparative figure for all publicly funded sectors in Scotland is just 32 per cent (see fig 6).

Fig 6: Performance on procurement - universities compared to the rest of the public sector

- superior or improved (2+3)
- conformance (1)
- non-conformant (0)

Universities
11% 1% 88%

All publicly funded sectors
30% 32% 38%
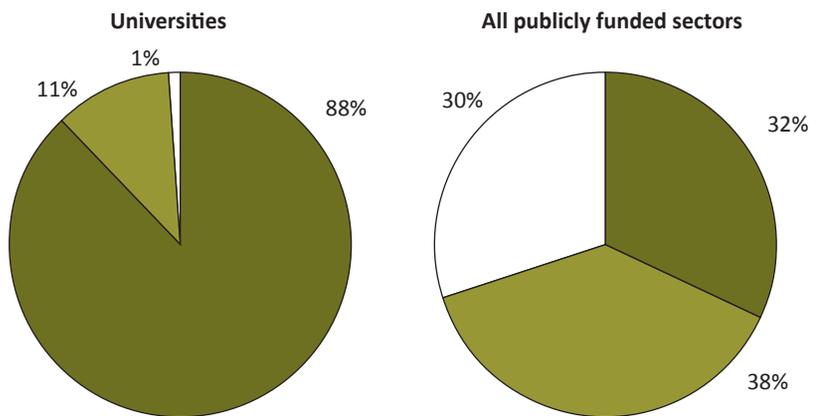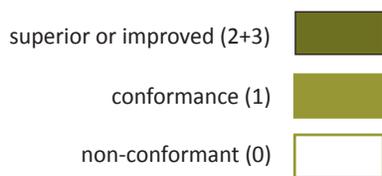
The university and college sectors have their own centre of expertise for procurement. In operation since 2007, APUC Ltd (Advanced Procurement for Universities and Colleges) was established in response to the McClelland review of procurement and is owned and funded through grant redeployment from its client institutions. APUC provides over 100 collaborative contracts either jointly or solely, with a potential scope covering approximately 33 per cent of non-pay spend in the university and college sector, which stands at around £270 million for universities. It is estimated that APUC will deliver a total benefit of up to £17.5 million in cost avoidance and price savings in 2011/12 alone.

According to the PCA, 99 per cent of APUC's higher education spend was rated as "conformant" with good practice or above (levels 1-3) compared to a national average of just 70 per cent across public sector equivalents (4). Indications are that the sector, working in partnership with APUC, has driven these capability levels even higher in the 2010/11 assessment year. Looking ahead, APUC's focus is to reach a steady-state collaborative contract scope of 130 shared procurements, to maximise institutions' use of these contracts, to evaluate potential single supplier deals capable of offering even greater value to the sector, and to increase the value of non-pay spend on a collaborative basis from £270 to £300 million.

Working together better: shared services

Universities have a leading record in the development of shared services including admissions, IT infrastructure, statistical information, backroom functions and procurement with some services operating for decades. Universities were amongst the first public sector bodies to pioneer shared ICT services with the introduction of the Joint Information Systems Committee (JISC) in 1993. The shared service delivery of the UK's HE & FE broadband network is estimated to have saved the sector millions of pounds over the last 18 years. More recently the practice of facilities sharing has become common and many universities now share facilities with further education colleges and, in some cases schools, the NHS and local authorities.

In 2007, the Scottish Funding Council commissioned a study of universities' engagement in shared services which identified over 100 examples of shared services and collaborations, but noted both regulatory and operational reasons why a shared services option was not always the best way of delivering value for money (5). A particular obstacle has been the VAT regime which imposes a 20 per cent tax on transactions between universities when they attempt to share services with one another. The recent HMRC consultation to remove this restriction is to be welcomed and we look for continued support from the Scottish Government on this.

Shared service initiatives have undoubtedly introduced new and more efficient ways of delivering services which has helped to reduce costs. Universities also share services in regard to generating revenue. Interface, University-Technology.com and research pooling are strong examples of collaborative approaches to generate income that have attracted international interest.
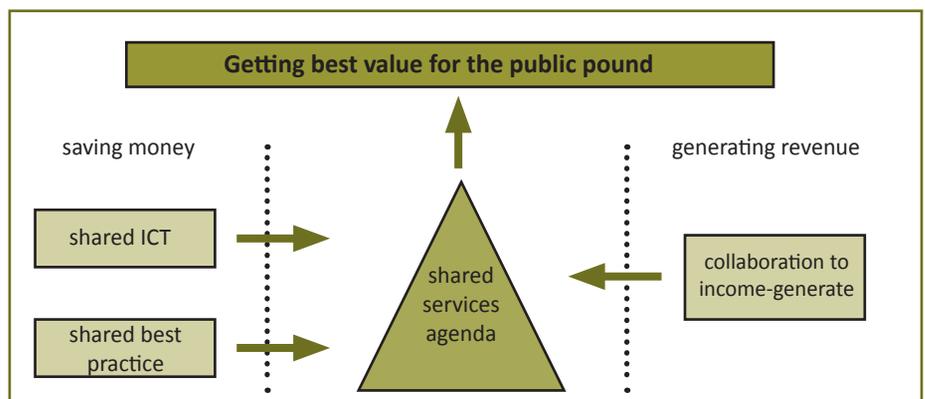
Box 2: Model of shared services as it applies in the university sector

Shared approaches to ICT

Universities will engage constructively with the recently published McClelland *Review of ICT Infrastructure in Scotland's Public Sector* (6) and work collaboratively with colleges on the recommendations. The report cited the sector as an example of good practice noting that central ICT offerings have been in place in universities for many years in the form of JISC and JANET. ICT innovations in the sector have continued, including more recently:

Scottish Higher Education Digital Library
Scotland's universities have built on the backbone of JISC and JANET to develop the Scottish Higher Education Digital Library (SHEDL) which gives students and researchers access to a larger range and number of materials. By collectively procuring electronic journals the initiative has delivered savings of 17.5% based on cost per use of article. This innovative development was recognised with a Scottish Library Excellence award for Shared Services in January 2011.

University and Council shared data centre
The University of the West of Scotland (UWS) has pushed through some radical changes in the provision of its IT server infrastructure and support by transferring all existing operational servers from every one of its campuses into a custom-built data centre shared with South Lanarkshire Council. This example of a shared service with a local authority has allowed UWS to address previous issues with disaster recovery and business continuity processes and to realise an annual net cash efficiency saving of around £64,000.

UniDesk - shared ICT support services
Scottish universities are making use of new web-based software to implement a shared ICT help desk service called UniDesk. Launched in November 2010, UniDesk enables institutions to better support staff and students in all areas of business and academic work, from anywhere in the world, 24-hours a day. It also reduces costs and set-up time. Current partners include the University of Edinburgh, the University of St Andrews and the University of Abertay Dundee. Over 50,000 staff and students are benefitting from the service.

Sharing best practice: the lean agenda in action

Scottish Universites have also taken the opportunity to learn from one another, sharing best practice as well as services. The St Andrews' Lean Team "challenges the University of St Andrews to become the best that it can be". Dedicated to eliminating activity which doesn't add value, the team focuses the University's energies on the efficient delivery of its core activities: teaching and research. After four years, the team's efforts alone had realised efficiency savings equivalent to the annual salaries of 25 full time staff or around three per cent of the university's academic workforce. St Andrews University has been keen to share expertise across the sector and beyond with the result that lean principles have been adopted in a number of other universities.

University of the West of Scotland:
UWS has focused a Lean Implementation Project on a number of university processes including recruitment and library acquisitions with a view to maximising efficiencies in both staff time and consumables. An initial pilot project reviewing the internal mail system has already reported external mail cost savings of £20,273 in the first quarter, with an estimated annual saving of £60,000.

The University of Edinburgh:
Edinburgh University's corporate services group is leading in the application of lean principles across a number of university services including: the creation of a one-stop shop for facilities management for the Easter Bush campus; streamlining of recruitment processes, research applications processes and new supplier approval processes. Five further lean reviews in other areas of activity are expected to follow with the aim of improving delivery of support services and reducing costs.

A shared approach to income generation

Efficiency is not just about controlling the cost base. It is also about maximising income so that universities can best serve Scotland's economy and society. Universities have also used shared services as an opportunity to increase income generation from third parties. Interface and research pooling are strong examples that have generated international interest.

Interface - the knowledge connection for business
Interface was established in 2005, and is Scotland's central hub for connecting businesses from a wide variety of national and international industries to Scotland's 25 higher education and research institutes. The service has received over 2,780 enquiries from business and 74 per cent of companies who have initiated projects have not previously worked with that academic partner. Interface delivers efficiency for universities, increased commercial income to the sector and has streamlined businesses' interactions with the sector, generating efficiency in the private sector too.

University-Technology.com is a collaborative venture involving 13 Scottish universities which provides an accessible and focussed online showcase where all Scottish universities' new technologies and business opportunities are listed in their entirety. The website was launched in 2004 and has since generated widespread interest from new technology companies and investors from across the globe. The site builds on the excellent reputation of Scottish universities for research and innovation and provides worldwide access to the best new technologies and the most exciting technology transfer opportunities that Scotland has to offer. Business users are able to register for RSS feeds and email updates and receive notification of the new technologies available as soon as they are posted on the website. The website currently has over 1,300 technology alert subscribers from over 100 countries around the world.

The Scottish Graduate School of Social Science is a unique collaboration between universities in Scotland to make available outstanding research training to doctoral students in the social sciences. Incorporating and building upon the 22 year old Scottish Graduate Programme in Economics (SGPE), this £20m ESRC funded Doctoral Training Centre forms the core of a new Scottish Graduate School in the Social Sciences. The initiative has attracted significant Research Council funding to Scotland and draws together all of Scotland's universities to build the skills, capacity and expertise needed to train the next generation of social scientists for Scotland's universities, businesses, government and policy communities.

Energy & the environment

Over a quarter of a million people work and study at Scotland's universities. The biggest institutions are equivalent in size to the population of towns such as Dumfries or Clydebank. This, combined with the energy intensive nature of some scientific research, makes universities major energy consumers. Scotland's universities spent £52.5million on all energy costs last year which accounts for 2 per cent of the sector's expenditure. With utilities costs increasing by 11 per cent over the last year, this financial reality adds to the existing incentives to drive down energy use and reduce the sector's carbon footprint. Work towards these ambitions has been taking place for many years and the data shows energy consumption per student has dropped by 9 per cent since 2004/05. Further efforts to drive down costs will be at the forefront of the efficiency plans for individual universities.

Combined Heat and Power

Scottish universities are making increasingly innovative use of Combined Heat and Power (CHP) plants, not only to generate heating and energy, but also to channel the excess energy to other areas where it is required.

> In 2009/10 higher education institution campuses generated 130 million kWh of energy by green Combined Heat and Power systems, an increase of 10 per cent in just two years.

The University of Dundee has saved an estimated £70,000 per annum by using excess heat from an existing CHP for new buildings. Similarly, the University of Aberdeen's new CHP which is part fuelled by bio-mass, will come on line in September 2011 and is expected to save around £300,000 per year. The University of Edinburgh has been operating three CHP plants at different sites across its campus including Kings Buildings since 2005/6 and has been generating in excess of £1 million in savings per annum as a result. Further CHP projects are currently being developed.

Environmental responsibilities

Universities also have a responsibility to manage the sector's carbon footprint and make an active contribution to the Scottish Government's Climate Change Delivery Plan. Every one of Scotland's 19 universities is signed up to the *Universities and Colleges Climate Commitment for Scotland* (7) which requires publication of a five-year, measurable, Climate Change Action Plan which will cover energy consumption and source, waste reduction, sustainable estates development and travel planning.

In the development of new buildings, universities are conscious of the need for sustainability. There are many examples of institutions across the sector generating significant cash savings by implementing more efficient energy regimes. Specific initiatives include automatic shut-down of PCs, removal of desktop printers and replacement with central multifunction devices, building fabric upgrades to improve insulation, the installation of voltage optimisation technology, lighting and heating controls, optimising Building Management Systems and Smart Metering installations.

In the last five years there has been:

> An 87 per cent increase in Scottish universities' waste recycling activities to 25.7 per cent
>
> A 27 per cent reduction in the total waste produced by Scottish universities

GOING GREEN

Despite reducing and managing its energy consumption, rising costs has seen the University of St Andrews' energy bills triple over the last five years to reach £5.4 million a year; a cost equivalent to the salaries of up to 120 full-time staff. A new windfarm looks to address this financial challenge for the university.

The University has sought planning approval from Fife Council, following three years of detailed research and consultation with the local community. Analysis suggests the site would generate enough electricity to cover the university's general electricity demand and research programme which is energy intensive.

Derek Watson, Quaestor & Factor:
'We are encouraged by the Scottish Government's commitment to renewables and fortunate that we can respond positively to it. Doing nothing is not an option."

This approach is not unique to St Andrews. Indeed, the rising costs of energy are affecting all Scottish universities and others are exploring similar opportunities to reduce their costs and carbon footprint. Robert Gordon University and the University of Aberdeen have combined total energy costs of over £6m per annum. They are working together to establish an onshore wind consortium that will allow them to build their own wind turbines, ultimately producing all the energy they use and potentially significant savings in the future.

The university estate

The university estate is an essential but often overlooked aspect of universities' ability to attract and recruit students, deliver high-quality education, conduct research for commercial partners and generate income by hosting conferences and other functions. In many cases, they are also an important part of Scotland's culture and heritage.

Scottish universities are working to continually improve the efficiencies of their estate. Over the last five years, Scottish universities' effectiveness in estates planning has resulted in:

- ▲ a 42 per cent increase in income generated from commercial activities derived from the university estate generating £163m in 2009/10

- ▼ a 14 per cent reduction in net internal area (NIA) per student FTE

- ▲ a 20 per cent increase in the proportion of the Scottish HE estate classed as 'new' or 'good'

In 2006 JM Consulting estimated the level of under-investment in Scottish university estates to be around £1.7bn (8). The report also found that university capital grants had been significantly lower in Scotland than in the rest of the UK. An update report in 2008 suggested that the backlog of under-investment had reduced to around £1 billion. This correlates with an increase in the level of capital funding. The latest available data from 2008/09 suggests that Scottish institutions have continued to make improvements in this area at a much faster rate than institutions in England and Wales. However, it is clear that there is still a large gap overall between the levels of capital funding needed by Scottish universities to ensure their international competitiveness and the amount of public capital grants they receive.

The continued availability of capital funding support will be important to enable Scottish universities to lever-in additional funding from private and international sources.
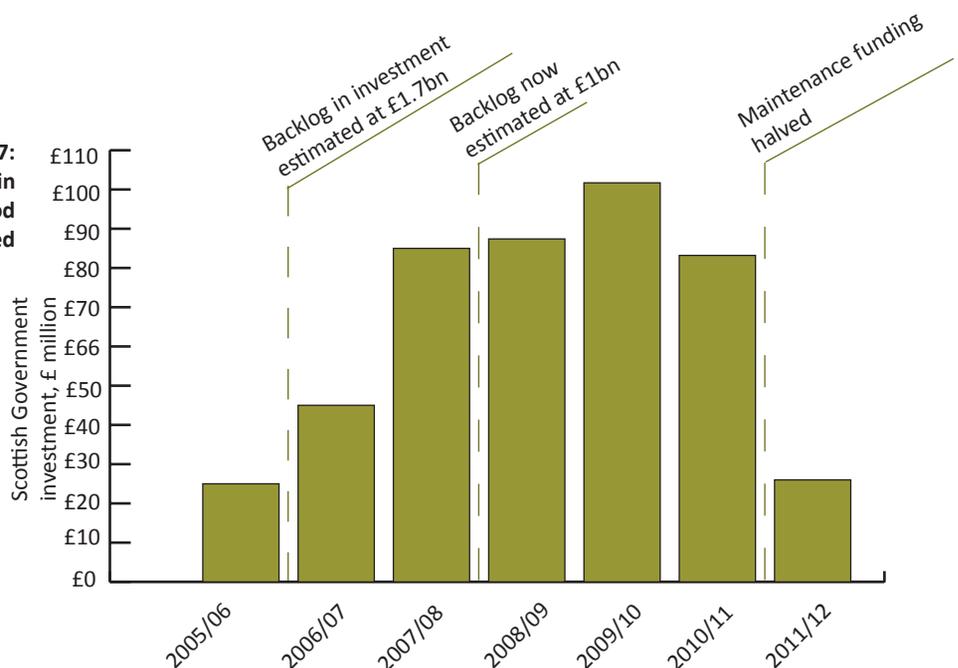
Universities & the NHS
The Suttie Medical Building is a partnership between the University of Aberdeen and NHS Grampian. It is one of the most advanced teaching and training centres of its kind in the UK, featuring the very latest technology. Its award-winning environmental design maximises the use of natural daylight, harvests rainwater to flush toilets, and is environmentally temperature controlled. As well as training medical students, NHS staff use the facility as part of their continuing professional development. Recurrent annual cash savings to the university alone have been in the region of £100,000.

Partnerships between universities & colleges

Queen Margaret University Edinburgh and Jewel and Esk College have a formal memorandum of understanding relating to inter-organisational collaboration which includes many areas of estates and facilities including: student associations; student support services, IT, library and teaching space, sports and accommodation services. Both institutions are also exploring ways to maximise the commercial and community use of their facilities.

Fig 7:
Public investment in Scotland's university estate over period 2005 - 2012, relative to backlog identified

Scottish Government investment, £ million

Backlog in investment estimated at £1.7bn

Backlog now estimated at £1bn

Maintenance funding halved

The challenge ahead: delivering on efficiencies at the next level

Scotland's universities have approached the efficiencies agenda enthusiastically. However, driving further efficiency after years of active involvement in EGI and EGP will be a considerable undertaking. Doing so will force the sector to address a range of difficult questions.

Though universities have performed strongly in many areas of efficient practice, it is important going forward that we draw on relevant experience and recommendations of others. The findings of Sir John Arbuthnott's 2009 review of shared services in Clyde Valley(9), as well as the very recent Christie Commission(10) and John McClelland's review into ICT in the public sector, will all feed into Universities Scotland's agenda for future efficiencies. Universities across the UK have spent much of 2011 examining the way forward for the sector through the Universities UK Efficiency and Modernisation Task Group. Scotland's universities have been well represented on this group which is chaired by Professor Ian Diamond, Principal of the University of Aberdeen and includes Professor Anton Muscatelli, Principal of the University of Glasgow. Mr Nigel Paul, Chair of APUC, and Rosalyn Marshall, Vice Principal of Queen Margaret University Edinburgh have also played an active role. The Task Group will publish its findings in late summer which will help to inform Universities Scotland's own programme for efficiencies as it is needed to contribute to the Scottish Government's targets from 2011/12 onward. Box 3 lists the objectives for UUK's TaskGroup.

Box 3: Universities UK Efficiency & Modernisation Task Group objectives:

- To identify the factors which drive efficient operation in the higher education sector
- To assess the potential for introducing greater efficiency in operation, this includes examining developments and taking lessons from public and private sectors
- To identify the barriers to increased efficient operation, and to make recommendations on how these can be removed.
- To seek to ensure that the sector provides value for money for the investment it receives, from both public and private sources

Universities Scotland Efficient Government Taskforce

In recognition of the challenge ahead, Universities Scotland has established its own Efficiencies Taskforce to drive forward this agenda over the coming years. The group, led by Professor Seamus McDaid, Principal of the University of the West of Scotland, includes senior professionals from university finance, estates, ICT, personnel and procurement, making it well placed to take a comprehensive view as to how universities can deliver efficiencies on the next level (see box 4). The Taskforce has been given a clear mandate by the Principal of every Scottish university to take forward the significant work outlined in the roadmap. This will include progress to achieve at least £26 million in 2011/12 as part of the three per cent efficiencies target, as agreed in the Joint Technical Group report between the Scottish Government and Universities Scotland published in February 2011(11).

Box 4: Universities Scotland Efficiencies Taskforce membership

- Professor Seamus McDaid, Principal, University of the West of Scotland (Convener)
- Professor Ian Diamond, Principal, University of Aberdeen & Chair Universities UK Efficiency and Modernisation Task Group
- Mr Phil McNaull, Director of Finance, Heriot Watt University & Convener Scottish University Finance Directors Group
- Dr Gerry Webber, Secretary, Edinburgh Napier University & Convener, Universities Scotland's Secretaries Group
- Mr Nigel Paul, Head of Corporate Services, University of Edinburgh & Chair of APUC
- Mr Alun Hughes, Director of Learning and Information Services at the University of the Highlands and Islands and Chair of the Higher Education Information Directors Scotland (HEIDS)
- Mr Jim McConnell, Director of Estates, University of Glasgow & Convenor Scottish Association of University Directors of Estates
- Ms Margaret Cook, Director of Human Resources, Edinburgh Napier University & Convener, Scottish Heads of Personnel Group
- Ms Jan Hulme, Secretary, Glasgow Caledonian University & Member, Higher Education Better Regulation Group

"Leaders and senior officers will need to demonstrate commitment and 'stickability' to overcome the challenges that have hampered the sharing of resources and services with others in the past."
Sir John Arbuthnott,
Clyde Valley '09

"Outcome-focussed transformation requires strong leadership, the resources of all stakeholders and a reasoned understanding of how outcomes are achieved."
Dr Cambell Christie CBE,
Commission on the Future Delivery of Public Services,'11

The way ahead

The Taskforce will look to develop a three-year timetable for efficiency in the university sector. There is much to draw on from the recent reviews led by Arbuthnott, Christie and McClelland. Two over-arching messages emerge from this collective body of work; the need for leadership and the need to demonstrate clear benefit from outcomes, focused around 'service users' (in this case, students, research teams and other key stakeholders) as the priority.

Leadership - A bold agenda for greater efficiencies and increased use of shared services needs strong leadership or in Arbuthnott's words: "stickability".

Clear benefit and focus on 'service users' - Both Arbuthnott and Christie remind us that public services should be built around people and communities, their needs, aspirations, capabilities and skills.

Successful delivery of this change agenda will require the support and collaboration of staff and students as well as universities' wider stakeholders, including politicians. With this in mind, a set of 'test criteria' will be used to help shape prioritisation and decision-making within the Taskforce (box 5). This draws heavily on Arbuthnott's test criteria as relevant to his recommendations for the Clyde Valley but has been revised for the university sector. The model illustrates the various tensions which need to be managed by universities and their stakeholders when assessing the viability of further efficiencies. Arbuthnott cautions that such changes include: "*positives and negatives across each of these headings and a balanced view will be necessary to ensure that proposals taken forward have strong positive outcomes which outweigh any detrimental factors.*"

Box 5: Test criteria for future efficiencies agenda

Test criteria for future initatives for change in university sector

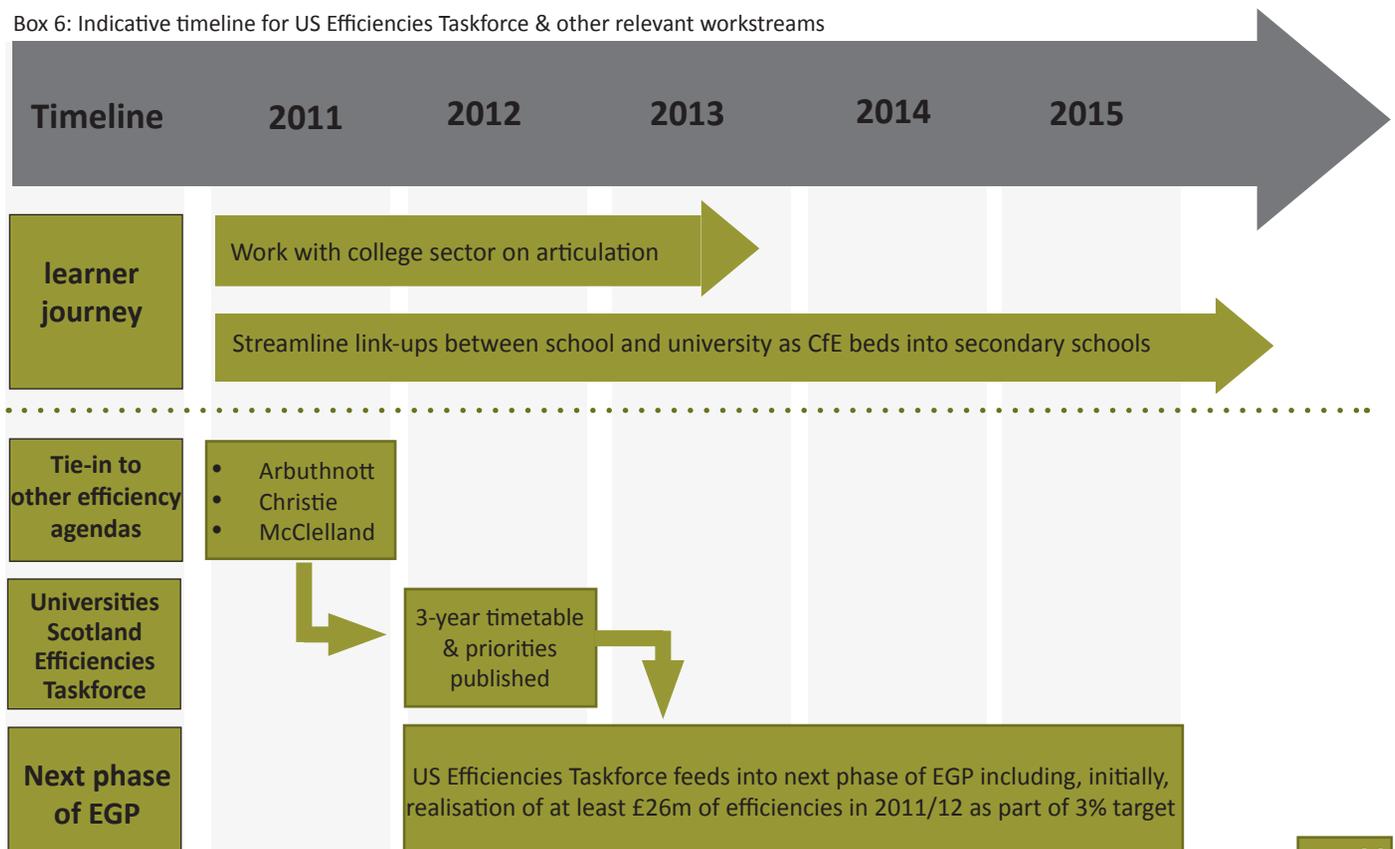| stakeholder outcomes | affordability |
delivering effectiveness	employee impact
delivering cash savings	capacity to deliver
delivery needs at regional & national level	sustainability
political acceptability	risk

Agenda for Universities Scotland's Efficiency Taskforce

The initial work of the Taskforce will:

- Provide leadership and set strategic direction for the continuous improvement of efficiency in the higher education sector in Scotland
- Respond to the priorities for preventative spend outlined in the Christie Commission report
- Link to Universities UK's Efficiency and Modernisation Task Group and lead Scotland's engagement with this group's recommendations
- Engage with the Scottish Government's response to John McClelland's *Review of ICT Infrastructure in the Public Sector in Scotland*
- Engage with the efficiencies identified in the sector's own report *Above Campus IT Services for Scottish Universities and Colleges* (12)
- Liaise with the Universities Scotland Secretaries Group in order to reduce bureaucracy in the sector through the work of the UK Higher Education Better Regulation Group (HEBRG)
- Engage with the UK Government's consultation on the development of a VAT cost-sharing exemption
- Monitor and report on the sector's progress in achieving government efficiency targets
- Develop a three year timetable and priority agenda for higher education efficiency activity in Scotland by January 2012 with the immediate aim of realising the target of at least £26 million of efficiency savings in 2011/12.

Two other important agendas will run in parallel to the work of the Taskforce. Ongoing Government-led work to streamline the learner journey through school, college and university, and an examination of current pattens of provision. Whilst both agendas may well realise savings within the entire education system, efficiency is not the primary motivation for change in these areas and so it has been decided that they will not be remitted to the Efficiency Taskforce.

Box 6: Indicative timeline for US Efficiencies Taskforce & other relevant workstreams

Timeline	2011	2012	2013	2014	2015

learner journey
- Work with college sector on articulation
- Streamline link-ups between school and university as CfE beds into secondary schools

Tie-in to other efficiency agendas
- Arbuthnott
- Christie
- McClelland

Universities Scotland Efficiencies Taskforce
- 3-year timetable & priorities published

Next phase of EGP
- US Efficiencies Taskforce feeds into next phase of EGP including, initially, realisation of at least £26m of efficiencies in 2011/12 as part of 3% target

Conclusion

Scotland's future wellbeing requires that its universities are supported to maintain their international standing and continue to make a significant contribution to the economy. Efficiency will be an integral part of this but it is also important to take stock of what has already been achieved in the sector and to recognise that universities start from a strong base. When looking at the sector's efficiency in 2010, the Tripartite Advisory Group of Scottish Government, SFC and Universities Scotland(13) concluded:

> *"Scotland is above average in terms of teaching activity and with high levels of spend on research relative to GDP, performs in the top quartile on measures of research efficiency. This appears to be consistent with quantitative findings from a report to the EC that ranks the UK as the most efficient higher education system in technical terms."*

Despite this strong performance, the sector is committed to do more and will look to drive further efficiency gains in line with the ambitious programme set out in these pages. Looking at provision across universities and the agenda to streamline the learner's journey through school, college and university may also yield long-term savings within the post-16 education system (although in both cases it is in learners' interests that efficiency is an outcome and not the driving force).

Safeguarding the world-class reputation of Scotland's university sector and the related economic benefits and opportunities cannot be delivered by efficiencies alone. Universities must continue to pursue efficiencies with vigour but securing the levels of investment which enables Scotland to remain internationally competitive and truly excellent in world terms will be the critical factor in ensuring that universities continue to make an effective contribution to Scotland's future economic prosperity.

Competitor economies such as France, Germany and the USA are making significant investments in research and development as a direct response to economic challenges. France injected an additional €30 billion into its universities in 2010 and Germany has committed to increase its investment in research and innovation funding by 5 per cent every year until 2015. The Scottish Government's Green Paper(14) noted the scale of the international funding challenge it faces in realising its aspiration for a globally competitive university sector:

> *"It is clear that at around 1%, Scotland already provides less funding as a proportion of its GDP for its universities than our sector's main competitors: England (1.3%); Sweden (1.4%); Canada (1.5%); India & China (2%, greater if you include R&D expenditure); the US (2.9%); and Australia (5.8%)."*

As the Taskforce takes forward its ambitious efficiency agenda, Universities Scotland will continue to work constructively with Government to ensure that we achieve our shared ambitions for Scotland.

Endnotes

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