

Governance, strategy and reporting

What do university governors need to know about efficiency?

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- ✓ **The LF is the Apex Body for HE leadership and governance development in the UK**
- ✓ **Vision** – that higher education is recognised for excellence in leadership, governance and management which transforms lives, enriches society and develops the economy for the better

We are active across the world

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Afghanistan	Malaysia
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Hong Kong	South Africa
India	Sri Lanka
Indonesia	Sweden
Iraq	Tunisia
Ireland	UAE
Japan	USA
Lebanon	Kazakhstan



Governance

"...the means by which strategy is set and monitored,

the executive held to account,

risks are managed,

stewardship and trustee responsibilities are discharged"

7 Things to Know Current Governance Trends

- ***Personal Accountability***
- ***Transparency (Strategy, business models, long term viability statements)***
- ***Culture – including Board’s role***
- ***Succession Planning including diversity***
- ***Board evaluation – including diversity***
- ***Remuneration***
- ***Engagement***

Governance trends

- **Rigour – scandals – Nolan 1993/4**
- **Accountability, regulation**
- **Convergence - HE Act 1992, now the HERA 2017**
- **Codification – nationally agreed code**
- **Volume, Agility, complexity, efficiency, risk**
- **Performance management – VCs**



Policy meets Governance

Removal of student number controls

- *Bigger riskier decisions, what courses, what numbers?*

Income falling

- *Historically low borrowing, how much capital to borrow to remain competitive? Commercial market funding sources, big money*

'Civil rights'

- *Freedom of speech, Balancing students rights and HEI duties*

Regulation

- *More attention to ways and means of regulators*

Student fees increases

- *Student experience, teaching quality, consumerism, vfm*
- *Products and services, information, NSS, KISS, Unistats*

Policy meets Governance

- Product/service – output of HEIs to students
- Growing rhetoric 'product/service' deficit
- Introduction of TEF → GB responsibility for reputation and sustainability
- New QA framework – explicit role for governing bodies
- New student funding policies – apprenticeships, accelerated degrees → student choice widens

“The efficient and effective use of resources lies at the heart of a successful higher education institution.

It is the responsibility of governors to seek assurances that institutions are using these resources:

- efficiently and effectively, to achieve
- good value for money.”

Getting to grips with efficiency
Guide for Governors
LFHE July 2017

- Though recognised as a 'good thing' we may struggle to define efficiency
- The factors that deliver efficiency can be elusive
- Though we recognise it when we see it....
- Think of an example of efficiency that you have seen or experienced....what do you see? What happened? What made it possible?



Efficiency and human dignity are uneasy bedfellows

Charles Handy
Management guru 1980s



A shared understanding

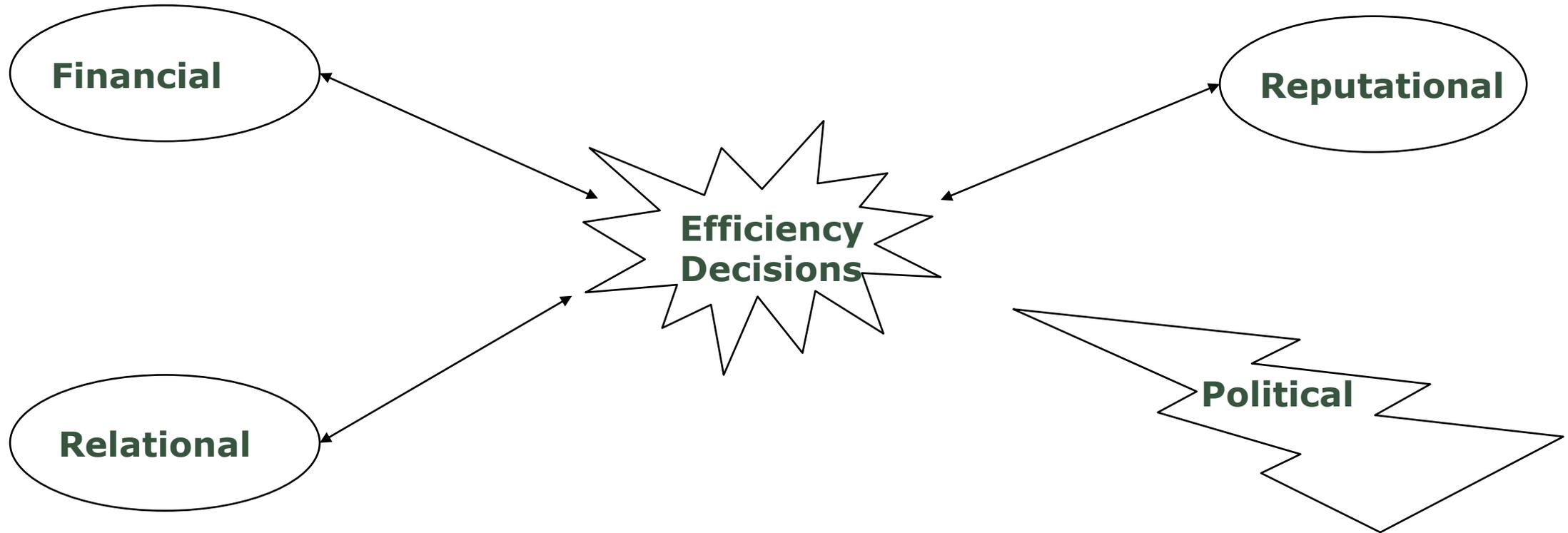
- **Economy** – reducing the costs of inputs
- **Efficiency** – getting more output for the same or less input
- **Effectiveness** – getting better at what we set out to do

- **Value for money** – E+E+E

- **Integrated reporting** – how strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term.

- ✓ People
- ✓ Intellectual
- ✓ Physical
- ✓ Energy
- ✓ Natural
- ✓ Community
- ✓ Reputation

A balanced, nuanced and sophisticated judgement





Governors responsibilities

The governing body must:

“receive assurance that the institution is meeting the conditions of funding as set by the regulatory and funding bodies and other major institutional funders which includes the requirements of the financial memoranda.”

These include the need to:

“...use public funds for proper purposes and achieve value for money...”

Key players – the Audit Committee



Governors assurances

- What does VfM mean within the context of the institution and its activities?
- Who in the institution is responsible for promoting the economic, efficient and effective use of resources?
- How do the institution's governance and management structures and processes help promote value for money?
- How the institution seeks to ensure that its activities represent value for money?
- How the Institution seeks assurance that its arrangements for securing VfM are operating effectively?
- How the institution reports on the economic, efficient and effective use of its resources?

- Better data for costing
- Benchmarking
- Streamlining and standardising operations >>>>>shared services
- Collaborative procurement
- Highlight and share good practice

Board sources of assurance (or otherwise!)

Internal

- Internal/external audit
- Strategies and policies
- KPIs, Data and evidence
- Integrated reporting
- Culture
- KBWA

External

- Benchmarking: HEIDI , EMS, HESA
- Funding and regulatory bodies: MAA, Audit Office (NIAO), AAR VFM 2015/2016
- Stakeholders
- NSS
- League tables



How governors can promote efficiency

- Promote a strategic approach to efficiency and VfM
 - How does the institution create value for its stakeholders?
- Create a culture where innovation and improvement is encouraged and valued
- Consider efficiency when making decisions
- Recognise the common pitfalls associated with efficiency
- Know what good looks like

Space utilisation: University of Birmingham

...increasing the utilisation of high-cost laboratory space by developing larger, more flexible teaching laboratories that can be used by academics and students across a broad range of disciplines.

This will not only make teaching more efficient, by avoiding the need to run multiple lab classes, but will also increase significantly the utilisation rate of the facilities.

Continuous improvement: University of Strathclyde

Established a dedicated business improvement team:

- 'designing out' overburden, inconsistency and waste in operational processes
- building a culture of continuous improvement across the university.

It now has a broad portfolio of projects, from small-scale initiatives to those that focus on strategic, long-term, transformational change.

Utilisation of office space: University of Northampton

Having found that he spent less than 40% of his working hours in his office, University of Northampton Vice Chancellor, Nick Petford, has done away with senior management offices and has introduced open-plan office space with hot-desking, allowing his leadership team to use office space more efficiently – and to spend more time actually talking to each other.

A shared campus: Falmouth University and the University of Exeter

Falmouth Exeter Plus, a shared services delivery partner on the shared Penryn Campus in Cornwall:

- library and academic skills,
- information technology and student support
- estates, accommodation and all retail services.

Owned jointly by the two universities and has its own senior management team and staff.

The future of efficiency - Greater board scrutiny.

- **Greater oversight by governors** of the issues of efficiency and VfM
- **To be efficient is not enough.....increasing demand to demonstrate it!**
- **Governors** need to be prepared to **challenge the executive** and seek appropriate assurances.
- Shift in focus from organisational/operational efficiency from a student perspective to explaining explicitly **how the institution creates value for their students.**
- **Metrics** such as retention, attainment, employability and student satisfaction gaining (even) more currency
- The debate moving towards productivity? **How already efficient institutions create value.**
- **Regulatory requirements?** Demonstrating engagement with sector initiatives? Conditional funding?
- **More standardised VfM reporting?** Focus on **achievements and outcomes**, not just processes.



Future board behaviour

- Seeking assurance and reassurance in highly volatile times
 - Tougher questions
 - Quicker decisions
 - Risks inherent in the efficiency agenda
- Robustly testing reliability and sustainability of HEI strategies
- Influencing new regulatory systems
- Students at the heart of the board



Thank you for listening

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