

Future of Shared Services in HE

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Context : Browne/CSR (in England)



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- By FY2014-15:
 - Higher education resource budget to be cut by £2.9 billion from £7.1 billion to £4.2 billion (excluding research funding)
 - Responsibility for funding teaching transferred substantially to graduates from the exchequer
 - Other reforms introduced in terms of loan repayment mechanisms, and student support
 - Science and research funding protected in cash terms, at £4.6 billion per year, but with clear requirement to find savings through efficiency developments.
 - Government will publish a white paper next year outlining proposals for future of higher education (likely to include how HE will be regulated, and government views on opening up the HE supply side).

Some Implications of the Current Context



- full consequences for individual institutions and the sector as a whole are still uncertain.
- clear that the reduction in public funding and increased student expectations will put pressure on institutions to make the most effective use of their resources.
- White Paper likely to examine ways in which new HE providers (e.g. private providers and FE) can be expanded, opening up the supply side
 - opportunities for collaboration and partnership, but also increase competition that will largely focus on price.
- for HE, clear that further progress in making efficiency savings will be an important part of future HEI Strategy

Wakeham Report on FEC (2010)



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- Examines alternative for savings, through greater efficiencies and savings to the indirect costs of research, as well as strengthening sustainability requirements to guard against overtrading and unaffordable volume growth in the system.
- Proposals would lead to savings of £5 million a year in 2011-12 growing to £40 million by 2013-14. Also likely to be reductions in the costs of other funders of research in HEIs, which might amount to £40 million.
- Puts pressure on the indirect costs of research, protecting direct investment in research.
- Recognised by the Chancellor in the Spending Review; crucial in terms of securing a good settlement for the research budget.
- The level of savings identified by the Spending Review greater than Wakeham. Sector will need to work with Research Councils to develop Wakeham whilst maintaining the core approach.

UUK Strategic Initiative



- Task Force on Modernisation
 - Representatives from
 - Universities and Funding Agencies
 - Major administrative areas
 - Private Sector

UUK Strategic Initiative



- **Review and update on existing activities** an audit of existing HE activities relating to efficient operation and modernisation.
- **Data and benchmarking** options for data and benchmarks on efficient operation : (i) for individual institutions to benchmark or (ii) for the sector against other sectors.
- **Administration and back-office functions** developing and assessing models for introducing more efficiency through new administrative models, including shared professional services, IT and procurement.
- **Facilities and infrastructure** examine options for more effective asset utilisation, and more efficient use of facilities
- **Analyse current practice in human resources operation and strategy** in the sector from the point of view of efficiency

Review and update on existing activities



- Not new - Cost savings worth millions of pounds were delivered during the 1990s
 - increased sharing of resources and equipment
 - better use of staff and space
 - economies of scale achieved through growth and mergers
- UUK work is not to duplicate efforts underway
 - assess future agenda, implications for institutional leaders, government and funders of higher education

Data and Benchmarking



- Many initiatives eg procurement partnerships
 - How do we benchmark?
 - What should be our broad aims?
- When is it worth making an initiative?
 - Eg benchmarks of retained staff against employees

Administrative and Back Office Functions



- Shared Services
 - Notable examples
 - UCAS (but now expand to PG)
 - IT projects propelled by JISC
 - RCUK
 - Procurement
 - Southern Universities
 - Scottish Consortia
 - Some Academic Examples
 - Eg Scotland; joint graduate schools

A Word on Shared Services



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- Two views:
 - Shared services are brilliant and deliver major savings and improved efficiency
 - Shared services are just expensive ways of doing what is already done with a new and increased bureaucracy

A Word on Shared Services



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- *Standardised business processes operated by a separate business entity or organisation for multiple internal and/or external organisations.*
- *Shared services are more than just centralisation or consolidation of similar activities in one location.*
- *Shared Services mean running these service activities like a business and delivering services to customers at a cost, quality and timeliness that is competitive with alternatives.*

Five Key Attributes of Shared Services



- **Distinct Governance:** A distinct organisational structure delivering the operational aspects of services to one or more organisation
- **Standard Processes:** Processes are simplified and standardised
- **Economies of Scale:** Scale is achieved by combining processes previously executed independently
- **Customer Driven:** A culture of service delivery is required within the shared services centre. Key account management, monitoring of key performance indicators, benchmarking and achievement of SLAs
- **Continuous Process Improvement:** Dedicated project teams manage process change to drive improvements in efficiency and effectiveness (optimisation) of service

Source: National Audit Office November 2007 Report

Sharing Services in HE

Some Reflections



- Culture
 - Autonomous Institutions
- League Tables → Competition
 - Note competitive industries still share services
 - Changing context of He may lead to HEIs concentrating on separate missions → collaboration not competition
- Catalyst of cuts has not bitten yet

Facilities and infrastructure



- **Wakeham** and greater asset utilisation.
 - Will need discussions with RCUK.
 - Centralised approach to ‘audit’ all equipment and coordinate its use may not be sensible (although at institutional level a strategic asset utilisation strategy would be important).
 - Need to maximise the incentive for research organisations to utilise existing equipment within their own departments and other HEIs / research organisations.
 - A suggestion would be Institutions could therefore be funded for equipment as a ‘packet’ top up to other capital and equipment investment.

Summary



- National Context means there are great needs for efficiencies
 - Shared Services are one part of this
 - Shared services are not a panacea

BUT

 - Can be an important opportunity
- Strategy, governance and commitment are critical
 - Change is inevitable