

The Vice Principal's Guide to Efficiency

How Technology Can Help Cut Costs for FE Colleges

Executive summary

Further education colleges are faced with a big task; improving outcomes for students despite reduced budgets and against a backdrop of economic uncertainty. When every penny counts, how can colleges identify where savings can be made without affecting the quality of provision?

This white paper looks at how technology can help, ensuring unnecessary costs are avoided while achieving maximum value for money from existing resources.

Introduction

Over the past year, further education colleges in the UK have found themselves performing a delicate balancing act.

On one hand, the straightened economic circumstances mean they are facing significant budget cuts. On the other hand, it's crucial both to the economy and to the colleges themselves that the quality of further education is maintained and, even in these austere times, continues to increase.

The latest funding news suggests the overall FE budget will be reduced by 25 per cent by 2014-2015. Colleges are coming to terms with this, yet a lack of clarity around just how these efficiencies can be achieved prevails.

On top of this, the Government has proposed removing a number of regulations and will no longer impose top down skills targets. This will mean more freedom for FE colleges but will also increase the stakes.

Whatever new paths are taken, colleges must deliver as the financial risks of not doing so will be too great.

Colleges can make significant efficiency savings by streamlining their internal processes and fully exploiting the capabilities of their IT infrastructure and management information system. This paper will discuss how it is possible to make significant savings – as high as £1 million in some areas – while protecting the quality of the education colleges offer to students.

Some of the key questions that colleges should be asking themselves are:

- How can we balance delivering a quality provision with financial viability?
- Where can we cut costs without impacting on our course offering?
- Are we achieving maximum value for money from all our existing resources?

"A high quality further education sector is at the heart of our skills strategy... Working with the Skills Funding Agency, we will remove funding from provision that does not meet minimum levels of performance."

Skills for Sustainable Growth Strategy Document,
Department for Business, Innovation and Skills

The delicate balance

“Our challenge is surviving and succeeding with less money, while still providing the excellent service expected of us and maintaining outstanding Ofsted inspections. The only way we can do this is by putting our internal processes under constant review.”

Julia Goldsmith, Director of Information Services, Walsall College

Everyone in the sector has been affected by the cuts and their potential to inflict damage on services, staff, salaries and ultimately students. No one wants to see drastic job losses if they can be prevented, so it makes sense to start by reducing avoidable costs and increasing revenue streams.

An overall funding reduction of 25 per cent over the next three to four years, plus the injection of £605 million being invested in apprenticeships in 2011/2012, will mean understanding the financial implications of which courses to run is more critical than ever to reflect government policy and maximise funding.

Avoidable costs

The first question colleges need to ask in the quest to become as streamlined as possible is: 'Can we minimise any unnecessary expenditure?'

Some of the key areas to scrutinise for savings are:

- teaching staff utilisation
- better use of property and facilities
- improved student management
- streamlining management and administration
- developing new business models.

Maximising revenue streams

Balancing the books at colleges has never been easy because funding formulas are, by their nature, complicated. There are a huge number of variables – from national and regional requirements to the financial viability of courses - that need to be taken into consideration.

Using staff and facilities efficiently

Potential savings of £750,000

“In assessing 18 colleges, we’ve found potential savings in excess of £21 million. In one college the savings were as high as £3.5 million and most averaged around £750,000. The area where the biggest savings could be made, by far, was staff utilisation.” John Bolt, Senior Manager, KPMG

It’s a truism that the biggest cost for all education and training providers is staff wages, so it makes sense to start here when looking at the efficient running of a college.

Clearly, not fully using your full time staff while hiring in expensive, hourly paid subcontractors is a false economy. So how can technology help to ensure difficult decisions are informed decisions and that a college’s most important resource is working efficiently?

Teaching staff need to be doing just that – teaching. Using a management information system (MIS) to support planning can ensure all barriers to achieving this are removed.

“If HR and payroll are not properly integrated, it is not uncommon for colleges not to be able to access data on who they employ, the guided hours they deliver or what they do. If they are unable to access reliable information, it’s hard to see how they can be confident that all staff are fully utilised.”

At a time when colleges are asked to do more with less, there is a need to ensure the available resources are used efficiently and effectively. Common errors, including timetabling for 38 weeks for A-Level teaching, even though many courses end

in May, can see hundreds of thousands of pounds worth of activity unaccounted for.”

Rob Elliott, Senior Manager, Capita

The type of data stored in a college’s MIS should include the timetable, staff contract information, details of class sizes and room use. Colleges can bring this information together to make better decisions on how staff and facilities can be used in ways that will help cut costs. For example, they can:

- easily identify which staff are under-utilised to make better use of annualised hours and reduce the need for expensive temporary staff to be brought in
- cross-reference timetabling, staff allocation and room utilisation information will help minimise campus-to-campus commutes for both staff and students, and optimise class and lecture room use
- monitor staff utilisation throughout the year. As courses are dropped or merged the shortfall in a staff member’s hours can be spotted and that time reused.

“If a teacher or lecturer is being contracted to teach for 22 hours a week, but is only actually teaching for 16, what other courses can you run to get them up to hours? Could they teach functional skills such as literacy or numeracy, or more tutorials, reducing the need for a temporary member of staff?”

It’s a similar scenario with room utilisation. If it’s not being used for 20% of the time, what else could you use the room for?

These seem logical areas to look for savings but many of the colleges I come into contact with have not yet considered seemingly obvious areas to cut costs. Yet the savings can be significant.”

Nick Linford, Managing Director, Lsect – specialists in post-16 funding

Improved student management

Potential savings of £1 million

“Colleges need to ask themselves if they are getting value for money for every resource they have, not just facilities and IT but in terms of how we manage students too.” Julia Goldsmith, Director of Information Services, Walsall College

Moving online

The current generation of students, for whom social media, iPhones and texting are a way of life, are much more likely to be drawn to colleges that are communicating and managing them in the same way they like to manage themselves – online.

Perhaps, therefore, it's not a surprise to learn colleges offering online applications report increased recruitment success, particularly if applicants can also pay online. The college also benefits from having less administration and shorter queues on enrolment days, meaning fewer staff are needed and data entry tasks are reduced.

This process of online management can be carried on throughout the student's life cycle within a college to save time and improve communication.

“We strive to be innovative in how we communicate, so we routinely use SMS messaging and social media, but not just for innovation's sake. It's a pastoral and learning strategy. We want to treat each student as an individual, and communicating personally and directly with them enables us to do so. Effective internal communication must be targeted, and technology helps us with this.”

Alex Richards, Director for Customer Service, Totton College

To improve the success of marketing and planning strategies, student details should be captured at the moment of their initial

enquiry. Once the prospectus has been viewed, it could be followed up with an email invitation to an open day to ensure any serious enquiry is turned into a student enrolment. This becomes easier and more successful if there is only one store of data on potential students and a single action plan in how to deal with them.

Once students have finished a course, they should be seen as the potential market for next year's courses and retargeted with options to further their learning.

Student retention

“After staff, learner recruitment is the highest cost for a college. It's no coincidence that colleges with higher success rates in retention make a better financial return, regardless of size. Colleges should aim to recruit learners once and use them many times. With the increase of tuition fees in higher education, learners will be attracted to a lower debt burden by undertaking HE courses at FE institutions.”

Rob Elliott, Senior Manager, Capita

For colleges, student drop-outs have serious financial repercussions considering that, depending on the course taken, each drop-out can represent between £5,000 - £10,000 of lost funding.

Despite this, in some colleges the drop-out rates still remain as high as 20 per cent. The financial cost soon stacks up. For a college with 1000 students this could translate into lost funding of £1 million very easily.

First and foremost, it's essential to 'recruit with integrity'. Placing someone on a course they are not capable of or for which they have little commitment to will often lead to them dropping out, so good initial advice and guidance is key.

Then, keeping track of a learner's achievements and progress centrally via an MIS, which can be accessed by key staff, can increase student retention by allowing the college to:

- monitor attendance patterns and cross-reference this with missed assignments. The vast majority of students drop-out in the first few weeks of a new course, so being able to spot the warning signs and react quickly is critical.
- ensure effective engagement and open staff-student communication lines. Access to Individual Learning Plans (ILP) online, together with tutor groups, can help with motivation, attainment and collaboration, ensuring all students fulfil their potential.
- enable records to be accessed by students as well as assessors. Students can see their achievements in real-time, giving them clear goals, greater satisfaction and potentially greater progression.

By implementing these and other pastoral measures, anecdotal evidence from colleges is that drop-out rates can be reduced to just one or two per cent.

Streamlining management and administration

Potential savings of £25,000

“We have a simple rule – people should never be asked twice for the same information. A single core database means no time wasted, no duplicate copies and no misspelling of names. Having easily accessible, accurate data plays a significant part in keeping colleges efficient.”

Alex Richards, Director for Customer Service, Totton College

Having a single integrated information system stops the need for any data to be keyed in more than once, significantly reducing the time and people it takes to keep the system updated and allowing instant access to information for those who need it.

“By using simplified e-forms rather than paper versions, we save time by storing data once but using it many times. In 2009/2010, I’d conservatively estimate this saved us around £10,000.”

Julia Goldsmith, Director of Information Services, Walsall College

The enrolment and application process is notoriously admin-heavy, but there are ways to circumnavigate this by using paper-free techniques. Colleges should avoid adding their own paper trail by ensuring application forms are electronic, and documents such as references, exam history records or even proof of residency for overseas students can be scanned in. This negates the need to spend copious amounts of time photocopying, then sorting and distributing documents to multiple members of staff by hand.

“Our central admissions team saved hundreds of hours usually spent copying and manually sorting student application documents for distribution to each member of staff.”

Alex Richards, Director for Customer Service, Totton College

In terms of human resources, staff may be a college’s biggest asset but they also create a lot of administration. Keeping track of their day-to-day management online, such as holidays and salary scale, and automatically linking contracts with payroll details, saves back-office administrative time. It also gives senior managers a snapshot of the information they need to make sound staffing decisions based on real-time data.

“Now our HR system is online, we can manage staff appraisals, monitor mandatory training and see at a glance who is on holiday and when. This has saved us in excess of £15,000 between 2008/09 and 2009/10.”

Julia Goldsmith, Director of Information Services, Walsall College

The collection, handling and sharing of statutory information requirements, such as Funding Returns, has historically placed an intense data burden on FE colleges. In the past providers were required to send separate records for Learner Responsive and Employer Responsive returns but now there will be a single ILR. An information system that can handle all funding and statistical returns will offer huge time-saving benefits over the use of different systems for different funding streams.

“When all the necessary information is held in a single integrated system, a complicated and previously lengthy returns process can be completed in just one click.”

Alex Richards, Director for Customer Service, Totton College

New business models

Potential savings: 10-30% of your operational budget

“The important lesson is the colleges that quickly adapt from the old thinking of ‘compete to spend’ to the new thinking of ‘collaborate to save’ are more likely to prosper in these challenging times.”

The Pocket Guide to Shared Services in your College, Association of Colleges (AoC)

Colleges are beginning to look for ways to re-shape their provision and create new partnerships as a response to the pressure the sector is under to deliver ever more efficient services.

A range of new configurations are being explored and, where possible, put into practice. Mergers between colleges, new collaborations and federations are all being considered to drive out inefficiencies and deliver cashable savings.

“We are actively exploring the potential of collaborative working. The early indications are that there are many similar projects operating in different colleges, delivered in a variety of ways but retaining common objectives. So working together for efficiency gains could well be a productive way forward.”

Alex Richards, Director for Customer Service, Totton College

Some colleges are already developing configurations based on the cost sharing exemption model, which, subject to EU legislation change, will ensure they do not need to charge VAT on costs for services when these are supplied or shared with fellow colleges. If the legislation is passed, some colleges are predicting savings in costs that deliver more than the 20 per cent in VAT. Improvements in the quality of service through partnership working will be an additional bonus to this.

Whatever model is chosen there is a necessity to consider what back office functions could be jointly delivered or shared and to what extent. There then needs to be very careful examination of the processes and technology behind the scenes to certify it is fit for purpose. This will ensure that the efficiency savings can be driven out of any partnership. The adoption of a ‘lean systems thinking’ should also be considered.

Lean systems thinking has been around since the 1950s and was successfully used in the manufacturing industries through the 1980s and 1990s. One of its main advocates was Deming, who wrote that:

“To successfully respond to the myriad of changes that shake the world, transformation into a new style of management is required. The route to take is what I call profound knowledge; knowledge for leadership of transformation.”

W.E. Deming (1993), ‘The new economics for industry’

Lean thinking is about improving quality while reducing costs. It promotes organisational learning through continuous reflection and actioning improvements focusing on delivering value for the customer, who in this case is the learner. It is about examining what a learner needs and focusing only on that.

All processes in an organisation should be focused on this and created to be as lean as possible to improve the flow of the ‘product’ to the student.

A good example of where lean systems thinking would help in further education is the admissions process, which in some organisations is still a convoluted route of site visits and form-filling for the learner. Behind the scenes there are often multiple points of data entry too. By focusing on what the ‘customer’ values – a simple process – the service to the learner can be improved and costs reduced at the same time.

Delivering results

Lean thinking can be developed in a single organisation or across a consortium or federation of colleges.

Typical benefits of this approach can amount to 10-30 per cent of the operational budget in the area where lean systems thinking is introduced.

At the AoC Shared Services Awareness Seminar (July 2010) the outlook was even more positive, as the Shared Services Architects organisation reported that savings of between 20-40 per cent could be achieved by colleges coming together.

Maximising income

Potential increase in revenue of £500,000

“In the absence of some quite innovative changes in operating models for many of you, our view is that the number of colleges in outstanding financial health will drop by 50 per cent and the number in financial trouble will increase by 100 per cent, and sooner than you may think.”

Geoff Russell, Chief Executive, Skills Funding Agency

A curriculum is a college's 'product', so its deployment definitively affects the income a college can expect to earn. Properly managing which courses to offer can help lower the overall cost of operations. And accurate forecasting is vital given that the difference between financial viability and financial ruin for a college is often only a two to three per cent margin.

There are so many course and funding options to consider during the planning process that doing so effectively without technology would be virtually impossible. The colleges of today have to use all the technological tools they have at their disposal to plan the best possible curriculum structure by looking at different models – 'What happens if we increase our apprenticeship offering?', 'What would be the effect of running more academic courses?' – and balancing demand with funding implications.

Using an MIS to plan various curriculum models concurrently ensures a cohesive balance between:

- local strategic needs
- national strategic needs
- prospective students' needs
- academic requirements
- vocational requirements
- income implications.

By holding all the information and analysis in one central location, colleges can get a true picture of financial viability and cost-effectiveness. Different scenarios, such as adding additional students to a course, can be played out with accuracy so the ideal balance between student needs and college requirements can be uncovered.

“Maximising funding isn't about earning more for doing what you are already doing, it's about doing things more efficiently. The first place you could look to maximise funding is class size. The average class size is far too small.

Adding one student per class costs you virtually nothing, but can bring in an average of £5000 per student. With 100 classes, that's an extra £500,000.”

Nick Linford, Managing Director, Lsect

Conclusion

“We’ve found the colleges we’ve assessed have had variable positions; some areas are efficient, others aren’t. Common issues that are easy to rectify include courses with more delivered hours than funded hours, too small group sizes and poor use of sites.”

John Bolt, Senior Manager, KPMG

The current common goal for FE colleges is to avoid financial distress while continuing to offer a first-class provision. Being adaptable and responsive to change is crucial to FE colleges wishing to remain competitive and successful long-term, yet this can only happen if management teams have a strong handle on how things are currently working in their college.

Technology is a key enabler to meet these objectives, helping to ensure all elements of a college are working as efficiently as possible. Although most colleges will be doing many things well, the vast majority will find that once they know where to look, there is still room for improvement in certain areas. As we have shown, the potential savings are substantial.

A second enabler is taking a lean approach to business processes and systems thinking to marry efficiency savings with improved quality of delivery.

Summary of potential savings or income gains

- Using staff and facilities efficiently **£750,000**
- Improved student management **£1m**
- Streamlining management and administration **£25,000**
- New business models **10-30% of operational budget**
- Maximising income **£500,000**

Industry-wide, the FE sector is already looking towards technology-based projects to modernise the sector and help it become more efficient. Colleges that take a similar approach to their individual management processes, and exploit the capabilities of IT to achieve this, will be in the best position to provide excellent learning and improved outcomes for students, while cutting costs.

“The sector has shown that it can rise to challenges and I expect it to continue to do so.”

Vince Cable, AoC Conference 2010

All the colleges quoted in this white paper use Capita’s UNIT-e management information system to manage their student data.

To find out more about UNIT-e and how it can help save money in your college or how lean systems thinking can support your new business model, please call **01285 647500**, email enquiries@capitafhe.co.uk or visit www.capita-fhe.co.uk (UNIT-e) or www.capita.co.uk/consulting (lean systems thinking).

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