

**Office for
Students**



Value for money annual report

**Report on value for money in the
Office for Students for 2020-21**

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Introduction and background

In October 2019 the Office for Students (OfS) published its value for money (VfM) strategy.¹ The strategy sets out our approach to our statutory duty to promote value for money in the provision of higher education. It also addresses our statutory duty to have regard to the need to use our resources in an efficient, effective and economic way – our fifth strategic objective is to be an efficient and effective regulator to support delivery of our student-focused strategic objectives.²

This report focuses on the efficient, effective and economic use of the OfS's resources within the organisation.

We have developed internal plans for improving the organisational value for money of the OfS. This means we embed value for money in our decision making, measure our performance, procure goods and services effectively, and make best use of our staff, office space and technology. All this helps us to carry out our activities at lower cost, or with greater efficiency and effectiveness.

This report is a review of value for money processes and initiatives within the OfS. It focuses on financial year 2020-21, building and providing more detail in relation to the statement in our statutory accounts:³

The value for money strategy involves continuous review across all our resources (staff, office space, IT, travel and subsistence, procurement and contract management) to ensure regular focus on value for money by senior management. Building on this, we have developed plans for improving the value for money delivered across the organisation, embedding value for money in our decision making, procuring goods and services effectively, measuring our performance, and making best use of our staff, office space and technology.

We have continued to develop our value for money dashboard with a range of indicators and measures that assess the impact of initiatives and activities on the overall value for money of the organisation. These remain under constant review.

¹ Our strategy is available at www.officeforstudents.org.uk/publications/value-for-money-strategy/.

² See www.officeforstudents.org.uk/publications/office-for-students-strategy-2018-to-2021/.

³ See page 56 of our annual report and accounts, available at www.officeforstudents.org.uk/publications/annual-report-and-accounts-2020-21/.

What is value for money?

1. Value for money (VfM) is about maintaining the right balance between economy, efficiency and effectiveness – that is, where successful delivery of outcomes is achieved for an appropriate level of cost. It is not just about minimising costs, although managing cost is clearly an important element. It is also about determining the most appropriate services to deliver and manage the organisation's priorities and expectations.
2. We use the following definitions and meanings within the OfS:
 - a. Economy – using the minimum level of resources for a given service level. This means that where similar services are offered, we will choose the lowest cost option. For example, using cheaper off-peak train travel when possible.
 - b. Efficient – maximising delivery of services within a given level of resource. This means that we will choose options that maximise what we can deliver within the agreed cost or budget. Through automating and standardising processes, we can be more efficient.
 - c. Effective – taking the most appropriate actions to meet objectives. This means that the options we choose must help us deliver the objectives we set. Within the context of the operations of the OfS, this means having the right systems and processes to be an efficient and effective regulator.
3. The government has set out key principles for the management of public resources that public bodies must reflect in their operations.⁴ They include achieving value for money. There is an explicit responsibility on accounting officers to ensure an organisation's procurement, projects and processes provide good value.
4. In accordance with these principles, the OfS chief executive, as accounting officer, is responsible for ensuring that the OfS's use of public funds represents value for money through sound financial management. The OfS should:
 - use its resources efficiently, economically and effectively, avoiding waste and extravagance
 - plan to use its resources on an affordable and sustainable path, within agreed limits
 - carry out procurement and project appraisal objectively and fairly, using cost benefit analysis and generally seeking good value
 - use management information systems to gain assurance about value for money and the quality of delivery and so make timely adjustments
 - avoid over defining detail and imposing undue compliance costs, either internally or on its customers and stakeholders
 - have practical documented arrangements for controlling or working in partnership with other organisations, as appropriate
 - use internal and external audit to improve its internal controls and performance.

⁴ See <https://www.gov.uk/government/publications/managing-public-money>.

5. Delivering VfM across all our activities will ensure the OfS delivers the best services for the resources available. Most our income comes from annual provider registration fees. By delivering VfM we will be able to minimise the costs to the sector.
6. Value for money should be embedded in everything we do. As a regulator it is important we achieve the best value when providing services and regulation.

The Office for Students' approach to value for money

7. In October 2019 the Office for Students (OfS) published its value for money (VfM) strategy.⁵ The strategy sets out our approach to our statutory duty to promote value for money in the provision of higher education. It also addresses our statutory duty to have regard to the need to use our resources in an efficient, effective and economic way. This report focuses what we are doing within the OfS to ensure we use our resources in an efficient, effective and economic way.
8. The OfS has a strategic objective of being an efficient and effective regulator to support delivery of our student-focused strategic objectives.⁶
9. To be an efficient and effective regulator, the OfS must be a well-managed and appropriately structured organisation. We need to support and develop our staff, and provide them with the right technology and systems, to enable them to deliver our objectives. As an organisation that is funded by the sector it regulates, we must continually improve and demonstrate the value for money of the OfS. To deliver this we had the following actions in our 2020-21 business plan:⁷
 - We will act, according to our internal strategy, to meet our aspirations for equality, diversity and inclusion within the OfS.
 - We will ensure our staff have the right opportunities for learning and development.
 - We will ensure we have the right infrastructure, tools and support for efficient and effective data collection from providers.
 - We will specify the measures we will use to assess our operational efficiency and publish an OfS value for money report.
10. As set out in the VfM strategy, the OfS developed a plan to deliver VfM within the organisation.⁸ This plan defines what the OfS means by VfM and why this is important to the OfS as an organisation. It established a set of VfM objectives for the organisation, to:
 - a. integrate VfM principles within existing planning and review processes and embed the pursuit of economy, efficiency and effectiveness within operational management, policies and procedures
 - b. respond to opportunities to enhance the economy, efficiency and effectiveness of activities and adopt recognised good practice where this makes sense

⁵ See www.officeforstudents.org.uk/publications/value-for-money-strategy/.

⁶ See www.officeforstudents.org.uk/about/our-strategy/.

⁷ See www.officeforstudents.org.uk/publications/business-plan-2020-21/.

⁸ See page 14 of our VfM strategy, available at www.officeforstudents.org.uk/publications/value-for-money-strategy/.

- c. recognise that most of our operational expenditure is staff costs and that to deliver VfM will require appropriate management of staff and recruitment
 - d. undertake VfM studies on areas of activity identified as worthy of review and apply the lessons learned to other areas of the OfS
 - e. promote a culture of continuous improvement
 - f. ensure that all staff recognise their continuing obligation to seek VfM for the OfS as part of their routine activities
 - g. benchmark our activities against other similar activities and organisations where this is considered useful
 - h. have a robust approach to strategic decisions ensuring that VfM is a key element within the decision-making process
 - i. demonstrate actively to both internal and external stakeholders that the achievement of VfM is sought in all activities undertaken by the OfS.
11. The running costs of the OfS are funded almost entirely by registration fees paid by registered higher education providers. We have a responsibility to use this money as economically, efficiently and effectively as possible.
12. Delivering value for money in the OfS will enable us to maximise our regulatory impact within a limited resource envelope through improving the way we work and appropriate targeting of resources.

Delivering value for money in financial year 2020-21

13. To deliver the VfM plan we identified critical areas of activity. These are summarised in the following paragraphs along with key activities during 2020-21.

Embedding a VfM culture throughout the organisation

14. We are working on several fronts to achieve a VfM culture:

- New policies, projects and activities should have a VfM assessment.
- Developing an understanding the costs and outcomes of our services, enabling us to make informed decisions on how we spend our resources.
- Active performance management and scrutiny on budgets and management accounts.
- Performance measures and targets which drive and deliver improved VfM performance.
- Training and developing colleagues at different levels in our organisation to embed a VfM culture across the OfS, so that it is an integral part of our day-to-day activity. We want a culture that encourages continuous improvement, efficiency and value for money, to fulfil the OfS's regulatory role and mission.

15. We ensure effective use of resources through clear organisational objectives and associated monitoring processes. The OfS strategy 2018 to 2021⁹ sets out objectives for the OfS (including performance indicators), structured around the four regulatory objectives¹⁰ plus an additional objective focused on the efficient and effective operation of the OfS as an organisation.¹¹ These objectives are reflected in our 2020-21 business plan.¹² To deliver this the 2020-21 business plan has proposed actions to ensure we maintain the effectiveness of our operations:

- We will act, according to our internal strategy,¹³ to meet our aspirations for equality, diversity and inclusion within the OfS.
- We will ensure our staff have the right opportunities for learning and development.
- We will ensure we have the right infrastructure, tools and support for efficient and effective data collection from providers.

⁹ See www.officeforstudents.org.uk/publications/office-for-students-strategy-2018-to-2021/.

¹⁰ See our regulatory objectives: www.officeforstudents.org.uk/advice-and-guidance/regulation/the-regulatory-framework-for-higher-education-in-england/.

¹¹ See www.officeforstudents.org.uk/publications/office-for-students-strategy-2018-to-2021/.

¹² See www.officeforstudents.org.uk/publications/business-plan-2020-21/.

¹³ See www.officeforstudents.org.uk/about/our-strategy/.

- We will specify the measures we will use to assess our operational efficiency and publish an OfS value for money report.
16. Management information providing assurance on value for money, such as the chief executive's reports (including business plan progress reports) and quarterly finance reports, are regularly provided to the OfS board. All board and Risk and Audit Committee papers are required to consider resources and risk implications for the OfS.
 17. For 2020-21, the OfS received a budgeted administration allocation from the Department for Education (DfE) of £26,805,000, of which £26,360,000 would be funded by provider registration fees. The total administrative spend for the year on OfS activities was £26,645,000, an underspend of £160,000 (0.6 per cent) against budget.
 18. In September 2020, in recognition of the impact of the pandemic on providers and the aim to reduce the regulatory burden on the higher education sector we committed to reduce the registration fees paid by providers by 10 per cent in real terms over the next two academic years. The first part of this reduction was delivered in the registration fees charged for academic year 2021-22 and a further reduction is planned for academic year 2022-23.

Effective procurement and active contract management

19. We seek to utilise effective procurement that supports the values of the OfS while delivering VfM. This includes ensuring that procurement and contract management is based upon suitable specifications, whole-life costing and affordability, to deliver best value. The team renewed their Chartered Institute of Procurement and Supply (CIPS) corporate ethics mark during the year.
20. Procurement is, wherever feasible, carried out through open competition to achieve value for money. Guidance sets out the authority limits, thresholds and procedures to be followed and reminds staff of the need for regularity and propriety in expenditure incurred, and the need to secure value for money from public funds. The procurement pipeline is published on our website.¹⁴
21. The requisition process implemented as part of the finance system requires approval at the point of requisition to allow automatic matching, providing system-generated controls over expenditure.
22. The OfS procurement team generated savings of £72,494 in 2020-21. All of these were direct price-based savings (savings measured in comparison with previous price paid for a service or for new contracts against the average price of all acceptable tenders). They were for a mixture of professional services, research, IT and FM based requirements.
23. The team consider a range of routes for all procurement needs to ensure that the OfS gets the best value for money option available. This includes using frameworks, competitive tendering and sometimes more innovative solutions. This year we ran an amalgamated tender with another organisation for stationery using a reverse auction managed by the Crown Commercial Service.

¹⁴ See www.officeforstudents.org.uk/procurement/.

24. In addition, the team have continuously improved processes throughout the year. During the year our contract management system, Delta e-Sourcing, was rolled out to all contract managers. It will help OfS staff ensure that value is delivered by our suppliers throughout the duration of their contracts.

Recruiting and retaining highly motivated staff

25. The largest recurring expense for the OfS continues to be staff salaries and associated costs. We continue to maintain a focus on having robust HR policies and procedures, so we recruit the right people and ensure that we have the skills and motivation to deliver maximum return on the OfS's investment in its staff.

26. In 2019-2020 the OfS launched a new competency framework for OfS employees. The framework sets out our aspirations for the OfS, its people and its stakeholders and it describes how all employees can apply these aspirations in their day-to-day work. The introduction of the competency framework has helped us create a clear and consistent expectation of behaviours across the OfS and helped us establish a clear link between individual and organisational performance. It will support us to be a forward-thinking regulator, who can deliver to the highest standard. The framework sits alongside any professional and technical competencies relevant to individuals' roles.

27. Throughout 2020-21 the organisation has continued to invest in developing its learning and development programme. The OfS recognises that a stimulating and worthwhile programme of learning and development is an integral part of staff development. During 2020-21 there has been a strong focus on delivering the learning priorities identified as OfS essentials. The OfS also want to invest in their people to ensure they can develop in their roles and beyond. Our approach to learning is critical to ensuring that we all act in a way that is consistent with delivering an inclusive environment, aligned to our values. Evaluation of learning is in place to ensure that learning provided is supporting employees to be effective in their jobs. and we have built value for money principles into this.

28. Indicators of staff productivity and engagement, including absence, are regularly monitored. In 2020-21 staff absence was 5.0 days (2019-20 6.0 days) per full-time equivalent (FTE). This compares with an average of 8.0 days for government public bodies and 4.3 days for private sector services.¹⁵

29. A strong focus has been placed on utilising and reviewing our systems to ensure that they are efficient, effective and represent value for money. During 2020-21 we launched the performance management application in our Finance and HR ERP system (Workday) and rolled out a full performance cycle activity online. Using the ERP system for performance enables us to monitor how well we are managing performance as part of our corporate governance processes.

30. We continue to implement systems functionality, automating process where possible, promoting a culture of continuous improvement and avoiding manual waste. In addition, we reviewed the most appropriate platform for managing recruitment and consequently started the transition to Workday Recruiting during the year. Long term this will reduce the cost to the

¹⁵ See Chartered Institute of Personnel and Development, 2020, 'Health and well-being at work', available at www.cipd.co.uk/knowledge/culture/well-being/health-well-being-work.

organisation. We have continued to develop our internal capability in our ERP system so less external resource is required to implement projects such as these.

31. Economy in terms of staff costs is maintained. In keeping with Cabinet Office and HM Treasury guidance on public sector pay, the OfS made annual pay awards of between 1.65 per cent (bands 9-12) and 2.65 per cent (bands 2-8). All eligible employees received this increase with effect from 1 August 2020.
32. The remuneration of the chief executive and the Director of Fair Access and Participation (DFAP) are determined by the Secretary of State for Education. These, with the remuneration of the other senior employees, are reported in our annual report and accounts.¹⁶

Maximising the use of resources

33. The OfS encourages continuous review of performance across all areas to ensure that best use is made of available resources (staff, office space, IT, etc.) and that all aspects are being optimised in terms of VfM. As part of this, we need to ensure that our infrastructure remains fit for purpose and is fully utilised. This is particularly relevant as we commence returning to the office following the pandemic with changes in working patterns and needs of staff.
34. The OfS continues to deliver operational efficiencies through modernising and consolidating technology solutions. In 2020-21, this included:
 - a. Continuous improvement and development of the ERP system, with twice-yearly roll outs of upgraded functionality and versions to ensure security patches and protocols are up to date. Also, as mentioned above, this has included implementation of learning and development and performance management modules for all staff and development of new recruitment module. We have also invested in development of the Adaptive Insights module of Workday to provide more efficient management and reporting of forecasts and budgets across the organisation.
 - b. Full unified communications solutions, enabling all OfS staff to efficiently work from home during the COVID pandemic, as well as continuing to provide and facilitate external events to providers, saving a considerable amount on travel and expenses for both OfS and providers.
 - c. Continued monitoring of technology licencing and licencing models to ensure we are continually rationalising licenses and only paying for the licenses we need.
 - d. Improved cybersecurity processes and monitoring to reduce the risk of a costly cyber-attack.
 - e. Continued decommissioning of older, more costly legacy technologies and moving to a cloud-first strategy.
 - f. Continued roll out and development of active contract management through the Delta system for all contracts.

¹⁶ See www.officeforstudents.org.uk/publications/annual-report-and-accounts-2019-20/.

35. The OfS's staff travel and subsistence allowance rules were developed in the light of the need for value for money and transparency. All claims for travel and subsistence, including an explanation of the nature of and reason for the expenditure, must be approved by the relevant budget manager. All travel and accommodation is booked through a contracted specialist provider to maximise economy and efficiency. During the year our expenditure on travel and subsistence has been drastically reduced due to restrictions on staff travel due to the pandemic. However, through the development of online capabilities we have been able to continue with effective stakeholder engagement using a range of mechanisms, many of which will continue in the future.
36. In accordance with government transparency requirements, the OfS publishes details of all spend over £25,000, board member and senior staff travel and expenses, gifts and hospitality, and procurement card spending over £500.¹⁷
37. The OfS supports the Better Payment Practice Code, which targets payment within 30 days and monitors payment performance against this target.¹⁸ We also monitor our performance against 10-day and five-day measures in line with the government's prompt payment policy. In 2020-21 our 30-day performance was 98.7 per cent (2019-20 99.4 per cent) of invoices, 10-day performance was 90.3 per cent and five-day performance was 82.2 per cent. This performance was significantly impacted by the closure of the office in March 2021, due to the pandemic, resulting in delays to payments of invoices arriving by post.

Adopting principles for projects and activities to enable value for money to be maximised

38. Our aims here are to:

- simplify wherever possible
- avoid duplication of effort
- identify and reform ineffective processes
- fully utilise supporting technology
- ensure consistency of processes and a 'single source of truth' for data.

¹⁷ See www.officeforstudents.org.uk/about/how-we-are-run/transparency-data/.

¹⁸ See <https://www.gov.uk/guidance/prompt-payment-policy>.

39. We established a Portfolio Management Office (PMO) in 2018 to monitor our projects and operations. It oversees the delivery of the OfS business plan and assesses the potential benefits of new project ideas. It also monitors staff resource allocation across the OfS in response to senior management decisions about prioritisation and resourcing. All new projects are required to go through a start-up approach to ensure they are well planned and include consideration of resource, costs and benefits. The PMO has continued to work through 2020-21 to support the OfS in effective and efficient delivery of its projects, programmes and operational work. This has included:

- Regular reviews of performance across the whole OfS business plan.
- Facilitation of rapid reprioritisation where needed to focus on highest impact activity. This has been particularly important to ensure an agile response to developments during the pandemic.
- Rapid collection of cross-organisational capacity data during national lockdowns, so we could ensure that we matched our resource availability to priority activity.
- Reviews of the OfS's highest priority programmes on at least a three-weekly basis.
- Whole organisation analysis of the alignment of our resource to our priorities, and how this changes over time.
- Maintaining a start-up approach to ensure that OfS projects are well planned and include consideration of resource, costs and benefits.
- The launch of a project management learning pathway for the OfS, which will enable colleagues to raise their project delivery skills and thus improve impact and value for money.
- Provision of bespoke advice to specific project teams.

40. Finance team business partners work with project teams on planned and proposed projects to provide appropriate costing, budgeting and VfM activities which are included in project proposals as part of the project approval process.

Measuring operational value for money

41. Following the development of the internal VfM plan, the OfS has also developed a range of indicators and measures to assess the impact of initiatives and activities on the overall value for money of the organisation.
42. An overall measure of the efficiency and economy of the OfS can be expressed as the cost to providers of regulation per student. We have introduced this measure as part of our key performance measure (KPM) 26. The cost for academic year 2019-20 (the latest available data) shows that providers paid an average of £19.98 per student in regulatory fees (including the costs of QAA and HESA).¹⁹
43. In September 2020, in recognition of the impact of the pandemic on providers and the aim to reduce the regulatory burden on the higher education sector we committed to reduce the registration fees paid by providers by 10 per cent in real terms over the next two academic years. This should reduce the costs reported in KPM 26 over this time.
44. We have developed a VfM dashboard with a range of measures which are designed to inform the organisation on progress with improving VfM across the whole range of initiatives. These form part of our overall organisational performance scorecard and are reported to senior managers on a regular basis. The measures cover a wide range of operational areas as well as overall financial performance, staff numbers and procurement.

¹⁹ See www.officeforstudents.org.uk/about/measures-of-our-success/efficiency-and-effectiveness-performance-measures/regulatory-burden.



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