

29 September 2008

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Dear John,

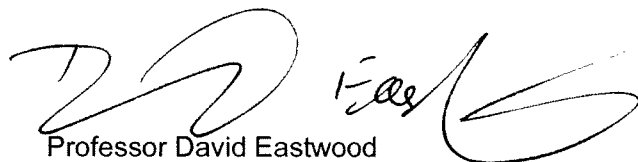
Understanding Institutional Performance

You wrote to HEFCE in March to follow up your speech at the Wellcome Trust outlining plans to develop a framework for higher education. You asked us to advise you on how we might measure institutional performance in such a way as to recognise the individual missions of each institution in the sector.

I am pleased to attach our response to your request, which discusses HEFCE's experience of using performance measures in each of the five policy areas you identified. We have made a number of recommendations that would enable us to present a more rounded, sophisticated picture of high education reflecting the multi-dimensional contribution that higher education makes to society.

The report has been drafted following discussion with our Board, and was approved by the Board earlier in September.

with all good wishes,



Professor David Eastwood
Chief Executive



Understanding institutional performance

**Advice to the Secretary of State for
Innovation, Universities and Skills**

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Foreword

Good performance measurement has many positive benefits. It enables higher education institutions to understand their own performance and areas of strength, and policy makers to appreciate sector-wide issues and create appropriate policy and funding mechanisms. It helps users to select the services that best meet their needs. We also know that poor or incomplete performance measures can have unintended and sometimes perverse consequences; our report on the use of league tables provides evidence of that ('Counting what is measured or measuring what counts? HEFCE 2008/14).

Our challenge in HEFCE is to determine appropriate measures that add value whilst minimising the unintended consequences. The challenge for the sector is to use those measures in ways that sustain clarity of mission and continuously improve the student experience. We make suggestions in this report of new ways to present existing data that may help to demonstrate the link between mission and measures.

We start from a strong base, built from many years of experience in measuring the performance of institutions. We are highly committed to developing robust information sources with the sector, for instance the National Student Survey, the Higher Education – Business and Community Interaction survey and widening participation performance indicators. In developing these sources we have been careful to obtain the best advice available, to pilot the approaches carefully and to allow sufficient time for information systems to become robust and reliable. As a result, these measures and indicators are widely disseminated and are used for a variety of purposes – in some cases to inform funding by others; by institutions in their planning processes; and by potential students to shape their decisions – through, for example, the Higher Education Information Database for Institutions and the Unistats website.

However, we are committed to continual improvement and better performance measures can play an important part in that. We recognise that we should always question current measures and develop new ways of understanding relative performance. For example, we are in the midst of a major review of research assessment that will shape the measurement of research excellence. We are also looking at ways to include part-time students within widening participation indicators. Measures also need to change as the agenda in which we operate changes, and we propose in this report that we explore the feasibility of new measures in employer engagement, value added and user demand to recognise the changing market environment in which higher education operates.

David Eastwood

Chief Executive

Executive summary

1. At his presentation to the Wellcome Collection in February the Secretary of State announced his intention to develop a framework for higher education over the next 10 to 15 years. He asked eight individuals and organisations to produce recommendations on key areas.
2. HEFCE was asked to explore how we might measure the elements of a successful higher education system, focusing on five policy areas:
 - research
 - enabling businesses to innovate or knowledge transfer activity
 - high-quality teaching
 - improving workforce skills
 - widening participation.
3. We were also asked to comment on how such measures could take account of institutional missions.
4. As the Secretary of State's intention was to promote debate, we have not drawn definitive conclusions in this report; but we have identified information gaps, raised questions and suggested possible areas for further work. We have written it to create a platform of shared understanding of the issues across a wide range of stakeholders.
5. We have a world-class higher education system, delivered through autonomous universities and colleges responding to market and policy incentives in ways that fit their mission, location and aspirations. In this report we have considered how information is used for funding; for policy development; by institutions to define mission and measure success; and by students and employers in making decisions on where to study.

The role of HEFCE in measuring performance

6. HEFCE has undertaken extensive work to define measures of quality and success, particularly in research, widening participation, teaching and enabling businesses to innovate; in workforce development our measures are less well developed. We use data to make funding allocations: for example, the Higher Education Innovation Fund (HEIF) is allocated on the basis of a bundle of knowledge transfer metrics; completion rates inform teaching funding. We also use measures to understand and develop policy so that we are able to make decisions informed by evidence.
7. An important part of our role in the sector is to disseminate the information we collect in ways that allow institutions to set their own targets and assess performance against those targets. For example, we publish Research Assessment Exercise (RAE) results, widening participation benchmarks, the National Student Survey (NSS) and the Higher Education – Business and Community Interaction (HEBCI) survey.
8. Even when information is not used to inform funding or policy it is often more efficient for us to act as a central body, so that we can collect information to common standards, definitions and processes. In some cases these data collection exercises are voluntary but

they have a high participation because they deliver value: the Estate Management Statistics are an example.

9. Performance measures and targets can have real benefits, but we recognise that there are also pitfalls in their use so we think carefully before introducing new measures. Although measures can encourage particular behaviours, it may only be a small step to them distorting behaviour as institutions try to maximise performance against target metrics. An issue with which we particularly struggle is that we can measure activity and volume but it is far harder to measure impact.

10. High-quality data are paramount: without assurances that the data returned are correct, all measures lose credibility. Our data assurance processes are an important part of our role in promoting public confidence.

11. We can see from the current debate about the quality and standards of teaching that even where there are robust, well-developed measurement systems, they can come under scrutiny. Two issues at the heart of the public debate on teaching quality are 'contact hours' – the number of hours in which students have direct contact with lecturers or tutors – and the total student effort required to achieve a degree. These are likely to remain salient, not least because of attempts to equalise the value of degrees across Europe through the Bologna process, and because of the expectations of students and the media. Assurance and measurement systems must be fit for purpose and proportionate, meeting the legitimate needs of users.

12. Although we calculate an institution's funding based on various measures of success, we primarily fund on the basis of a block grant, so that institutions have flexibility to invest in line with their mission rather than allocations made by us. Institutions receive further funding based on performance against metrics so that we can ensure that public funding delivers particular policy drivers. In this way we balance institutional autonomy with public accountability. We believe that block grant contributes to the diversity of the sector because it allows institutions to invest in ways that they believe are in line with their mission and will meet the needs of their users.

There is more to do

13. We recognise that, although we have significant experience in devising and implementing performance measures, more could be done. There are a number of ideas implied in this report that could be developed further. In learning and teaching, and knowledge transfer, we suggest that value-added measures could supplement proxy measures and identify an institution's impact and contribution to delivering Government policy. We could measure an institution's commitment and engagement to the widening participation agenda and there are a variety of new measures considered in relation to the emerging workforce development agenda. We would wish to consult more widely on whether these ideas should be developed further.

14. One way we could have responded to the Secretary of State's request would be to propose the introduction of official league tables that would demonstrate the relative performance of different institutions against the five policy areas. We do not think this is a good idea. In 'Counting what is measured or measuring what counts?' (HEFCE 2008/14), which we published in April, we set out the limitations of league tables and we do not propose

changing our position. However, we can present existing data in ways that would help institutions understand their relative performance without resorting to hierarchical, static approaches. We are suggesting that, in consultation with the sector, we should develop spidergrams based on an agreed number of performance indicators. The spidergrams would be the front end of a web-based tool that allowed the user to drill down to further detail and make a sub-selection of components when assessing one of the five policy areas, or to create a single summary of the overall performance of the institution across all five policy areas.

15. Value-added measures are discussed at various points in this report because feedback from the sector warmly endorses their development. However, value-added measures are notoriously difficult to construct and we have resisted doing so in the past because we have found that the measures prove more burdensome than valuable. Value added has been used in the schools sector for a number of years based on standardised testing; multi-level modelling and learner achievement tracking has also been introduced by the Learning and Skills Council (LSC) for post-16 education. A system of measuring the value added by higher education providers, where standardised testing is not the norm, has yet to be developed, either in the UK or in other countries. We propose that, in consultation with stakeholders, HEFCE should collect evidence from previous work on value-added measures so that we can draw conclusions on what might, or might not, be desirable.

16. In constructing this report we have been surprised by the amount of measurement information we collect and disseminate across the Council and the knowledge we have gained about good practice in this area. We suggest that a code of practice for the use of performance and funding measures should be developed so that we capture this wealth of knowledge for future use. We also propose that any new measures should be subject to our sector impact assessment process to review possible unintended consequences, check the balance between burden and public value and ensure measures capture the full range of benefits we want to encourage.

17. Further education colleges are largely missing from this analysis because HEFCE does not collect the same data for colleges as we do for higher education institutions. However, there is extensive information collected by Ofsted and the LSC which we may be able to use more effectively and we will explore this further in our discussions with the LSC on the Framework for Excellence.

The relationship between measures and mission

18. We have been asked to explore how a greater understanding of institutional performance could help to support diversity in the sector. This is far from straightforward. Our experience with HEIF metrics is that 'hard' knowledge transfer measures tend to correlate with research income, and that research-intensive institutions therefore tend to dominate research and innovation measures. This is not so much the case for the kind of softer measures that are also collected through the HEBCI survey. This suggests that the assumption that hard measures will differentiate between the 'core' missions of research, innovation, teaching, widening participation and workforce development may not be correct and we would need to find more sophisticated distinctions. Finding such distinctions would require careful thought and selection of appropriate metrics, which would be much disputed.

19. We expect all higher education institutions (HEIs) to have high-quality learning and teaching and to contribute to widening participation: one risk of a more explicitly differentiated funding system would be to create disincentives for HEIs to be involved in these key policy objectives. Indeed, suggesting that some institutions will excel at widening participation could increase the social segregation already apparent in the sector and contradict the thrust of the 'fair access' agenda. A risk is that success in widening participation could be interpreted as a sign that an institution is unable to recruit more highly qualified students, with the associated negative impact on an institution's reputation. This could in turn act as a significant disincentive to engage with widening participation activity.

20. Although research evidence has shown that the greatest multiplier in terms of external productivity has come from research results, the picture is complex. Potentially it is the interrelation between research, knowledge transfer, undergraduate and postgraduate education, continuing professional development and workforce development that will create the greatest economic impact in the future. Although there may be some institutions that see themselves operating primarily in one policy area, the reality is that it is the combination and the interplay between these areas that defines the mission of an institution.

21. In considering whether performance measures would drive mission we might conclude that although comparative measures drive performance, they do not determine mission. The RAE has allowed us to fund institutions selectively; however, research is so central to the very idea of a university that, despite receiving relatively little quality-related research funding, many institutions continue to place it at the heart of their mission.

22. The Secretary of State quite rightly wishes to promote parity of esteem, but this is difficult to tackle when there are entrenched barriers to changing the assumed hierarchy of missions. This is hindered by the narrow view of higher education that is sometimes promoted by the media and we need to be proactive in correcting these outdated notions about the place of higher education in society.

23. The sector is already diverse: universities and colleges work to a variety of missions that incorporate not only the five identified policy areas but many more such as internationalisation, a civic role or regional engagement. The role of collaborative activity is also important in shaping the mission and focus of an institution. We would not wish to narrow down the contribution of universities and colleges by focusing on a small number of policy areas, because this risks constraining innovation and the commitment of institutions to their localities and society. Institutions do operate in each of the five policy areas, but – rightly – they do it differently, meeting different customer and learner needs. We should celebrate the multi-dimensional nature of universities and colleges and, with the sector, explore ways to recognise and communicate these more widely, to promote public understanding of contemporary higher education and lift esteem across the sector.

The relevance of performance measures for institutions

24. To succeed in an ever more dynamic higher education sector, institutions must focus on continuous improvement and quantitative measures can help them to do this. Where institutions submit information to HEFCE or other Government agencies it is valuable to disseminate this in a way that allows for benchmarking and performance improvements.

25. Further work with the sector and with groups of universities or colleges with specific missions (such as the Russell Group, Million Plus and the 1994 Group) would help us to see if there are different ways to recognise missions and communicate these to user groups more effectively.

The relevance of performance measures for users of higher education

26. In higher education students will seek different kinds of information to that sought by employers; first-time entrants may look for different measures to mature students. Often decisions are based on intangible esteem indicators that relate to value and respect.

27. Information tailored to users (such as Unistats) and based on their views (such as the NSS) is valuable and valued. Collecting this sort of information is not cheap or easy. But the NSS has, despite criticism, become a robust indicator of student views. Increasingly, information is provided independently. Rankings and league tables are here to stay; the role of the internet is growing and may be a powerful tool in the future. Newspaper league tables do not provide an accurate picture of the higher education sector or its diversity. HEFCE has an important role in providing robust, comparable information to aid student choice.

28. There is not enough information for mature or part-time students, who do not need to identify simply what course to do, but may require a diagnosis of learning style, an understanding of professional requirements and a match to what universities can offer. Simple performance measures will not help here; we need a sophisticated interaction with information, advice and guidance mechanisms. This is equally as important for employers trying to gain information on higher-level skills. DIUS's student listening programme may provide us with new insights into the information needs of students.

29. We suggest that more could be done to provide useful information to users of higher education. We could consider broadening data collection to include employers, particularly as their co-investing role in higher education increases, and could explore whether the National Employer Skills Survey is the correct vehicle to do this. We propose working with user groups – particularly mature students and employers – to define what other information might be needed and to develop appropriate communication channels and diagnostic tools to help in their decision-making processes.

30. The Secretary of State stated that this was the start of a debate in the sector aimed at developing a framework for the future: there are various ways to recognise and reward success and diversity and, as set out above, we look forward to discussing with stakeholders a reasonable and realistic role for performance measures in this context.

Scope of the report

'The challenge is to fully exploit the value of diversity in the system. I want universities to play to their strengths because I believe that all organisations do best when they focus on what they are good at. And the system's overall strength will increase if we get to a stage where every institution values the work of its peers.'

John Denham, Wellcome Collection Conference Centre

29 February 2008

31. At his presentation in February, the Secretary of State announced his intention to develop a framework for higher education (HE) over the next 10 to 15 years. He asked eight individuals and organisations to produce recommendations on key areas. HEFCE was asked to consider the use of performance measures and how we could use these to support diversity in the sector. The commissioning letter from the Secretary of State can be found in Annex A.

32. We were asked to explore how we might measure the elements of a successful HE system, focusing on five policy areas:

- research
- enabling businesses to innovate or knowledge transfer activity
- high-quality teaching
- improving workforce skills
- widening participation.

We were also asked to comment on how such measures could take account of institutional missions.

33. In our response, we have focused primarily on HEFCE's experience of working with performance indicators and issues of quality. We have not attempted to define quality because this is complex and disputed territory; rather, we have looked at how we already measure success to understand relative performance. We have also considered this question from the perspective of others who use our information – including universities, colleges, students and employers.

34. In an ideal world, English universities and colleges would continue to perform at world-class levels, with institutions clear about their missions and driving their performance in support of this; funding and policy would appropriately reward different missions to incentivise diversity; the market would understand the differences between institutions, allowing learners and employers to make decisions based on their needs. All this would be achieved with a minimum of fuss – data collection would not be seen as onerous and institutions would not find that it is in their interest to engage in unproductive activity to make the figures appear favourable. We recognise this is very much an ideal and have focused on why the current system is imperfect and improvements that could be made.

35. Because the Secretary of State's intention was to promote debate, we have not drawn definitive conclusions, but we have identified information gaps, raised questions and

suggested possible areas for further work. We wished to create a platform of shared understanding of the issues across a wide range of stakeholders – it is not written for simply an HE audience.

36. This is only one of a number of reports, so we may wish to revisit the conclusions in the light of the other inputs. There may be longer-term implications from the other reports and policy developments arising from them which will change how we view the issues discussed here. This report focuses on the position today; to support a framework for development for the next 10 to 15 years will require different approaches that will only become clear as the framework emerges.

37. In preparing this report, we consulted extensively with the HEFCE Board who discussed key principles and commented on drafts. We also used our strategic committees to engage more widely with institutions.

38. The Secretary of State's speech asked us whether the system facilitates institutions making far-reaching and rapid changes. This is a question for the whole sector as well as for policy makers. So, in moving forward, we are keen to engage with a wide range of stakeholders to identify which areas of future work would add most value.

Section 1: Why measure performance?

39. Higher education in England is a world-class system, delivered through autonomous universities and colleges responding to market and policy incentives. However, past performance is no guarantee of future success; global competition and changing student and employer needs require universities and colleges to adapt and improve all the time. With that imperative, we want to discover how performance measures can help institutions to meet these challenges head on, and we want to foster a better understanding of the HE sector and its diversity of mission.

40. To do so we need to understand the different ways in which data can be used by different groups. As funders, we use them to drive funding and evaluate policy. Institutions use them to define their mission and test performance. And students' decisions about where to study are partly informed by data, which is why data are so important to the market.

41. This first section introduces the way that data are used by different groups and outlines some of the benefits and drawbacks of implementing performance measures.

Funding

42. HEFCE's main reason for collecting data is to inform funding decisions, particularly those that reward and support institutions in meeting particular policy objectives. We have extensive experience of using data to drive funding for research, widening participation, learning and teaching and third-stream activities, an evidence-based approach discussed in Section 2. However, our data on improving workforce skills, a policy area for which we set out new options, are less well developed.

43. The Research Assessment Exercise (RAE) is the best example of the link between performance, quality and funding. Over many years we have developed a peer review system that has measured quality of research, driven improvements in performance and, by extension, raised the reputation of UK HE. These data are published and used worldwide as a proxy for institutional excellence. Performance in the RAE was designed to drive funding, and we have funded in an increasingly selective way to reward internationally excellent research. We are continuing to develop and improve this system of measurement through the Research Excellence Framework (REF).

44. Our teaching funding methodology helps to support policy objectives such as student retention and flexible study by linking them to funding and performance. Similar activities are funded at similar rates to support a minimum standard across all institutions; non-completions are minimised by only providing funding for students that complete the required portion of their studies. The funding methodology also explicitly recognises that certain types of student and provision, such as part-time students and accelerated provision, cost more.

45. From OECD studies we know that we have some of the best retention rates in the world. Our funding policy not only encourages institutions to support students to complete their studies, it also provides them with valuable information, through the retention benchmarks, about how comparable universities or colleges are doing, enabling them to improve their own performance.

46. There is considerable value in collecting information to common standards, definitions and processes. This is true even when information is used to support institutions or to inform

the market, rather than for funding. With data from the National Student Survey or Estate Management Statistics, we can be sure that we are comparing like with like in our discussions with universities and colleges. And, even where such common data collection exercises are voluntary, they often have a high participation rate because universities can see that they add value.

Benchmarking to improve performance

Estate Management Statistics (EMS) ¹ were established in 1999 to provide the sector with standardised, reliable and useful property information. The statistics help managers understand current performance, promoting the sharing of best practice and driving improvements. They enable better strategy and decision-making.

EMS enables institutions to make detailed comparisons between one another's performances. By identifying good practice and disseminating it throughout the sector EMS can speed up the pace of change and capture improvements that save money and boost institutional performance. For our most recent data collection, we received submissions from 159 out of 161 UK institutions, an important indicator of their support and the value of the statistics to the sector.

Policy evaluation

47. HEFCE also collects monitoring information to assess the success of particular initiatives or to support institutional improvement. We seek to understand the impact of our funding on meeting HEFCE objectives, and this helps to shape our submissions to Government and our activity in the sector.

48. As we introduce new policies, our use of performance data follows a defined pattern. Our initial focus is on identifying how we measure success and impact, and on developing appropriate benchmarks; then, through evaluation and good practice guidance we enable institutions to examine their performance critically and improve it; and finally the publication of performance information encourages continuous improvement.

New policy, new measures

Workforce skills development is a new area of policy where we can see this pattern of development in measurement emerging. When we funded three Higher Level Skills Pathfinders in 2007 in the South West, North West and North East, we were keen to evaluate their impact.

The pathfinders were designed to explore and embed shared strategies for higher education provision and workforce development skills between providers and employers. They linked into the existing regional infrastructure and were intended to provide one part of an accessible skills service for employers. Each regional pathfinder has development resources and additional student numbers to help build the capacity in their institutions to respond flexibly to employer needs.

We carried out an early formative evaluation of the pathfinders² which enabled us to track their development in each region and understand the opportunities and barriers to a wider extension beyond the three pilot regions. More recently, we held a workshop with the pathfinders to discuss evaluation and impact measures. From these discussions we will identify meaningful performance indicators and benchmarks for the future. We also expect summative evaluation information to provide good practice to roll out into other regions.

49. Information used to evaluate a policy is not always the same as that used for funding; the latter must be more robust than the former. Evaluation information may be obtained through one-off activities or sampling, supplemented by qualitative research to understand causal relationships and underlying drivers of performance. Funding information has to be comprehensive and more robust; it must be auditable and not susceptible to manipulation.

To inform universities in pursuit of their mission

50. Universities make decisions on how they will position themselves within the HE sector based on their mission – for example based on their historical strengths in particular disciplines or their approach to teaching or research. In making this sort of decision, they will consider many sources of data to develop their understanding of their relative position and the opportunities open to them. The difference between institutions becomes clear when you see how significantly their corporate plans and key performance indicators differ across the sector.

Measures and mission

The Institute of Cancer Research (ICR) is one of the leading international centres for research into the causes and treatment of cancer. This is reflected in its mission statement, which explicitly links its research activities to their benefits. For the ICR, the exploitation of research is as important as the research itself, leading it to use a wide range of information and indicators to monitor and measure progress.

As well as RAE outcomes, the institute also monitors in detail the financial impact of licensing agreements, together with the number of industrial partnerships and filed patents. This information is summarised through the Higher Education – Business and Community Interaction (HEBCI) survey of business and community links. With its emphasis on benefits, the ICR's research activities help ensure that the institute's specialist postgraduate programmes are up to date. As part of this feedback, ICR monitors how many of its graduates secure top-tier clinical and scientific appointments.

51. Although we have been asked to discuss the five policy areas identified by the Secretary of State, universities generally take a wider view of their mission and have other strategic objectives that are central to their aspirations. Institutional sustainability is key – not only financially, but also for staff, estates and other factors that may have a long-term impact.

52. Many universities place their regional impact or their engagement with their home town at the heart of their mission. This colours their approach to enabling innovation, workforce

development and widening access. Equally, a university's international profile can be core to its mission through international campuses, research profile, internationalisation of the curriculum or attracting overseas students. Other strategic objectives include sport, cultural contribution and sustainable (and environmental) development.

53. Institutions see themselves as part of a diverse sector meeting different student, community and social needs. All operate across all the five areas identified by the Secretary of State, but interpret their contribution to each policy area in different ways. This may lead them to focus on different types of performance measure.

Same goal, different measures

Durham University and the University of Teesside, though near neighbours, are very different institutions. But they are both committed to the principle of widening access to higher education.

Teesside is one of the country's top-performing universities on HEFCE widening participation benchmarks: its successful Passport scheme works directly with local schools; it has close relationships with its partner further education colleges in the Tees Valley; and it is creating dedicated HE centres in each.

Like Teesside, Durham participates in Aimhigher through its Schools Targeted Aspiration Raising Scheme. It also hosts the Centre for Science Outreach. Its presence at Stockton Riverside Campus is an important aspect of its widening participation activity, because it houses the Foundation Centre which runs one-year access courses for those without traditional qualifications, offering progression routes into the first year of Durham degrees.

From their corporate planning documents³, it is clear that both have strategic objectives relating to widening participation. Teesside's mission is explicitly to widen participation in the Tees Valley whereas Durham builds on its research and community outreach activities. They use different measures to assess their success in widening access and participation – Teesside can measure its success through progression into the university and HEFCE widening participation benchmarks; Durham measures its success through take-up of the Durham Grants Scheme and internally derived civic engagement objectives. Both are able to benchmark their performance against their peers using performance indicator information. Because they see their contribution to this agenda in different ways, they use different measures.

Improve performance

54. To succeed in an ever more dynamic environment, institutions must focus on continuous improvement. Quantitative measures can help. The Committee of University Chairmen (CUC) governance code makes clear that each institution should develop key performance indicators that indicate the extent to which it is achieving its strategy and mission.

55. In 2006 we supported a project by the CUC to produce detailed guidance and case study material to help institutions develop and implement key performance indicators (KPIs) as a framework for governors to use in monitoring institutional performance⁴.

56. The suggested framework consists of a very small number of high-level indicators which need minimal paperwork, but which draw upon supporting information and assessments. The CUC guidance offers a 'menu' of possible KPIs to help institutions consider how their approach fits with their mission and circumstances.

57. We have made it clear that we will not use the indicators to evaluate individual universities, because we do not want to distort them or undermine the governance process that they support. The code itself is voluntary but most higher education institutions (HEIs) have adopted it and report this information in their annual report.

Operation of the market

58. In an efficient market, consumers make purchasing decisions based on a clear view of the options available and their respective benefits. In many cases, the producer will segment the information and measures required by customer group, packaging them in ways that the target group can recognise and understand.

59. In higher education, students and employers may want different kinds of information. Even among students, first-time entrants and those returning to study may each require different information; many decisions are based on intangible esteem measures that relate to value and respect.

60. The National Student Survey of around 325,000 final-year students has been our most ambitious attempt to capture user opinions to help inform the choices of potential students and employers. Earlier work by Sir Ron Cooke⁵ to identify Teaching Quality Indicators has helped us pinpoint what information is of most value to students.

The impact of surveys on institutional practice

Based on feedback from teaching surveys, the London School of Economics (LSE) recently announced that an extra £2 million a year would be channelled into teaching. This money will pay for 25 new lecturers and offer more explicit recognition and reward to staff who can demonstrate excellent teaching. The Times Higher Education⁶ reported that the new initiative was a direct response to student concerns about teaching quality.

Disappointing scores in teaching surveys and a perception among staff that only research was valued had led the LSE's academic board to accept 40 changes proposed by a task force established to address the poor scores.

Janet Hartley, Pro-director for Teaching and Learning, who led the task force, told the Times Higher Education: "It wasn't that there was a crisis in teaching, but we weren't happy with some of the reports we'd had. I think it is as much about reputation and brand as anything – if we are projecting ourselves as a first-rate research institution, then parity has to be there with teaching as well."

61. The market is not limited to the UK. International students also make decisions about where to study based on esteem measures such as international league tables and the RAE. In an increasingly global student market, user information and its credibility assumes an even greater importance.

The benefits and costs of performance measures

62. Linking funding to performance or creating new measures are very powerful ways to incentivise particular institutional behaviours. Although it is outside the scope of this report, it is worth rehearsing some of the benefits and pitfalls of performance measures as this underpins comments made in the next section on the way HEFCE has approached the task in the five policy areas.

Benefits

63. As has been discussed above, the benefits which flow from accurate and appropriate performance measures are real and valuable: they can change institutional behaviour, inform institutional performance, underpin student choices and provide a public validation of mission diversity.

64. In the longer term, measurement has the power to change our thinking about the value and purpose of higher education as well as to influence specific behaviours. The act of measurement can itself lead to redefinition. This does not just affect behaviour – it changes our view of the world. The 20th century saw the development of measures of IQ and economic output. Over time, these came to define what was popularly meant by intelligence or prosperity (although it remains contested as to whether these popular assumptions are correct). A philosophical shift has taken place as a result of the development of new measures.

65. Public policy makers do not have the field to themselves – others, from newspapers to individual universities, are already measuring performance. Although we may not agree with the way the data are used, it is better that these are based on well-constructed, official measures and one would expect that as measures improve, so too would the analysis produced by others.

66. There is no doubt that mobile international students feel more confident about university systems that give them definitive information about the prestige of different institutions and they already use league tables in this way. Good performance information helps to promote UK HE worldwide.

67. Measures have the potential to raise the profile of other aspects of a university's mission and move us away from a hierarchy where research excellence is the main determinant of success. The case for using measures to promote new activities depends ultimately on the quality of the measures available. If they give an accurate picture, are resistant to manipulation and capture all aspects of the activity, there is a case for using them. If not, they risk being counter-productive.

Costs

68. Performance measurement is not without cost. Not only are there costs associated with data collection, but also in managing the perverse incentives created by linking measures to

funding or reputation. The balance between the costs and benefits of any given measure is not stable over time – the unintended consequences increase as people become better at ‘playing the metric’.

69. The creation of new indicators is never a neutral act – they influence behaviour, and indeed this is often their *raison d’être*. Since we cannot always predict those behavioural changes, they can work against a policy objective in unexpected ways.

70. Existing measures can inhibit new areas of activity. So, for example, although completion rate indicators are designed in a way that makes them appropriate as indicators of performance for undergraduates, they are not appropriate in the world of workforce development where individual employees are more likely to develop an incremental approach to learning based on the acquisition of small units of learning over a longer time.

71. Institutions can start to lose strategic clarity if they focus on improving performance against a number of target metrics. This takes us back to the notion of diversity; the Secretary of State’s letter is predicated on the idea that performance measurement can promote diversity, when target metrics may actively work against diversity if institutions attempt to maximise performance against all measures. On the other hand, it is often the interplay between different areas of policy that determines the unique character of an institution – a siloed way of conceptualising performance also has risks.

72. Introducing new indicators can accelerate the speed of change but at a price when new systems need to be introduced. The burden on institutions of introducing new systems and processes can be considerable and needs to be considered in the light of the value of introducing a new measure.

73. Measures are often only proxies for quality (this issue is explored in more detail in Section 2). As a funding council we are interested in identifying high-quality activities, but we do this through input and output measures that do not necessarily capture the totality of ‘quality’ which is beyond the simple measures that we collect. We recognise that we often look at quantity rather than quality as the notion of ‘quality’ is so contested that we would become tied up in semantic discussions and sector debate. Proxies are imperfect, but they do allow us to move forward and build our understanding over time.

74. Measures can lead to the creation of league tables, which in turn can influence institutional behaviour. As we argued in our recent publication on league tables, there are risks in allowing imperfect data sources to drive performance, not least that institutions focus on improving their performance measures rather than their actual performance. We discuss this further in Section 4.

Other factors

Validation measures

75. A risk in the use of measurement is that success and failure can look the same without some form of external validation. The results of the 2001 RAE showed a very strong improvement on the results of the 1996 exercise (its immediate predecessor). HEFCE and the Government had to take a view on whether the improvement was real and whether it justified additional investment. Two things helped us to do so:

- a. Firstly, the RAE incorporated a process of international review in which overseas experts not otherwise involved in the RAE were asked to comment on the credibility of the results.
- b. Secondly, there was an alternative, well-developed methodology of assessing research performance using citations which provided independent corroboration of the success of UK university research. It was not necessary to validate every RAE grade (the 2001 RAE made approximately 2,500 separate grading decisions). It was, however, necessary to demonstrate that the overall pattern of improvement was consistent with the picture given by other measures.

Correcting problems with other measures

76. The most sophisticated, controversial and technically most difficult use of performance measurement is when it is used to correct market failures as they become apparent. This requires the dynamic management of a complex system of incentives. Where there is evidence that existing incentives are creating undesirable patterns of behaviour, new measures could be created (or old ones abolished) to correct the situation. The intention is not merely to provide information to inform the market; it is to use performance measurement consciously and tactically to influence behaviour.

77. The case for this kind of intervention lies in the weaknesses of the alternative – a slow-moving, consensual approach in which policy makers go to great pains to develop indicators that enjoy consent, leave them for a few years and then review them. By the time the indicators are reviewed, institutions may have already set up internal structures to target them and policy makers will have already used them to demonstrate their success. This makes them very hard to change even where they are not achieving what was intended.

78. On the other hand, the problems with using performance measures more dynamically are equally as formidable, would not necessarily be compatible with institutional autonomy and would be very strongly resisted by most institutions.

Data quality

79. All of the above is predicated on good data quality underpinned by robust assurance mechanisms. Without good data, performance measures cease to be credible. There is an associated accountability burden on assuring the systems and processes within institutions are accurately capturing and reporting data.

Final thoughts

80. It is not just those being measured who have an interest in getting the 'right answers' out of performance measures. Those with responsibility for the system as a whole (including HEFCE and DIUS) have an interest in promoting positive messages. The people responsible for producing the indicators also have an interest in providing the answers their customers expect – for example, the compilers of newspaper league tables want to combine a high level of surface validity with the capacity to generate interesting stories.

81. The reality is that despite all the benefits, the creation of new measures can be problematic and contentious. Do we need to do more? Since the current system has delivered

diversity and world-class performance, the current balance of incentives and regulation may be providing an acceptable outcome.

82. If so, it could be better to develop market mechanisms, rather than new measures, that would encourage institutions to play to their strengths. This might include: more information about the needs of the market; less regulation that acts as a barrier to meeting those needs; institutional autonomy and strong governance so that institutions set their own targets and measures; and a block grant to facilitate market positioning.

83. In this report we do not argue for introducing new measures unnecessarily but we do suggest that existing data could provide greater insight into an institution's performance.

Key messages

- Performance measures have multiple uses: as funders, we use measures to drive funding and evaluate policy; institutions use measures to define their mission and test performance; users of higher education seek information and measures to inform their decisions and, by extension, operate the market.
- Even when information is not used to inform funding or policy it is often more efficient for us, acting as a central body, to collect information to common standards, definitions and processes – for example Estate Management Statistics. In some cases these data collection exercises are voluntary but they have a high participation because they deliver value.
- We can measure activity and volume but not impact. We recognise that there are limitations in using proxies and discuss this further in this report.
- Performance measures and targets can have real benefits, but there are also a number of pitfalls in their use. Although we use measures to encourage particular behaviours, it may only be a small step to distorting behaviour as institutions try to maximise performance against target metrics. High-quality data are paramount: without assurances that the data returned are correct, all measures lose credibility.

84. These generic issues gain sharper focus in the next section of the report which examines the HEFCE experience of working with performance measures in the five policy areas.

Section 2: Measures of performance

Introduction

85. HEFCE has used performance measures for many years, partly to drive funding, but also to evaluate policy and provide information to Government on the sector. The following section examines each of the five policy areas in turn. We consider: what measures are currently used; how these have evolved; what we have learned about measurement within each policy context; and how measures could reflect institutional mission.

86. We have different levels of understanding and experience of developing measures across the five areas. We currently use measures to drive funding for:

- **research** – we fund selectively, based on the outcomes of the RAE to determine quality-related research funding
- **enabling business to innovate** – the Higher Education Innovation Fund (HEIF) institutional allocation is metrics-driven, based on input and output indicators collected through the Higher Education Statistics Agency (HESA) and the HEBCI survey
- **high-quality learning and teaching** – core teaching funding is based on a range of student recruitment variables including numbers of students, mode and type of study and institutional factors
- **widening participation** – widening participation allocations are based on the number of students recruited from low-participation neighbourhoods, entry qualifications and age.

87. We also use measures to drive other streams of HEFCE funding. These include capital funding and additional funding to support expensive or vulnerable science.

88. Recently, we have increased our focus on improving the skills of the workforce. Workforce development is funded through our allocations for foundation degrees and employer co-funded growth in student places. Lifelong Learning Networks and institutional employer engagement programmes have been funded through our strategic development fund.

A note on block grant

89. Although we calculate an institution's funding based on these variables and measures of success, we primarily fund on the basis of a block grant, so that institutions have flexibility to invest in line with their mission (rather than in line with the allocations made by us). Institutions receive further funding based on performance against metrics (for example, HEIF allocations) so that we can ensure public funding delivers particular policy drivers. In this way we balance institutional autonomy with public accountability. By enabling institutions to invest in ways that they believe are in line with their mission and will meet the needs of their users, we contribute to diversity.

90. In implementing Government policy, HEFCE seeks to have an evidence base on which to make decisions and monitor the sector's success. This section discusses the breadth of our current measures and the work that has been done to develop these.

91. Annex B provides detailed information about the performance measures that we publish.

Research

92. Institutional performance in research has been measured for many years in the UK through the RAE. A new framework is being developed to assess research quality after RAE 2008.

What work has been done to measure the quality of research?

93. Research quality is currently assessed primarily by peer review at a number of levels within the sector. This includes peer review of PhD theses, research grant applications and research outputs submitted for publication, in addition to the assessment of research quality through the RAE.

94. The four UK higher education funding bodies have used the RAE to allocate core funding for research. HEFCE uses the RAE outcomes directly in a funding formula that takes into account quality (RAE outcomes), measures of research volume and subject-related cost weights. This enables us to target funding selectively at the highest-quality research institutions and departments.

95. The RAE provides an overall assessment of groups of researchers over a period of time (there are 67 different subject groups, or 'Units of Assessment' in RAE 2008). Institutions select which staff and research outputs to submit for each Unit of Assessment. The RAE assesses the quality of all forms of research including applied and practice-based research. It is mainly based on peer review of research outputs, but also takes account of the research environment and esteem. These indicators vary for each subject and use a mix of quantitative and qualitative information.

96. Research quality is defined in the RAE as encompassing 'originality, significance and rigour'; RAE sub-panels for each of the 67 Units of Assessment describe in more detail what that means for their subject⁷. The RAE has evolved over the years: the key change to the current (2008) exercise is that the results will be reported in the form of a 'quality profile' rather than a single point score for each submission.

97. In addition to HEFCE's research funding driven by the RAE, some elements of our research funding are driven by measures of institutions' research funding from business and charities, and by postgraduate research student numbers. Aside from these measures, there are currently four institutional performance indicators published by HESA that relate to research. These are:

- the proportion of PhDs awarded per proportion of academic staff costs
- the proportion of PhDs awarded per proportion of funding council quality-related (QR) funding allocation for research
- the proportion of research grants and contracts obtained per proportion of academic staff costs
- the proportion of research grants and contracts obtained per proportion of funding council QR funding allocation for research.

98. Since 2007, we have started to publish annually the qualification rates of research degree students at each institution, as part of our work to promote high standards of research

degree student supervision, recognising that these measures can only be a proxy for high quality.

99. Each year, DIUS publishes Public Service Agreement (PSA) target metrics⁸ for the UK research base. Some of these compare the performance of the UK research base as a whole with other countries, with a focus on national rather than institutional performance.

Current developments

100. We are currently developing a new system, the Research Excellence Framework (REF), which will replace the RAE after the 2008 exercise. The REF will make greater use of metrics and indicators than the RAE. In each subject, quality will be assessed using some or all of the following:

- bibliometric indicators of quality or expert review of outputs (and the possibility of some combination of these)
- other quantitative indicators (including measures of research income and research students)
- supplementary qualitative information.

The balance between these elements will vary by subject, as will the level of light-touch peer review.

101. We commissioned work to scope the use of bibliometric indicators in research assessment⁹. The underlying concept is simple: the extent to which work is cited by the international academic community is a good indicator of its impact in advancing knowledge in its field. The scoping work showed that robust citation indicators of quality are feasible in some (but not all) subject areas. We are currently piloting citation indicators for a sample of 22 universities and colleges. Key technical issues are being investigated through the pilot, which is due to complete by spring 2009.

102. Alongside the bibliometrics pilot, we are investigating other metrics that can be used in the REF, and approaches to light-touch peer review. This includes work on measuring the economic and social significance of research.

How might measures reflect different institutional missions?

103. HEFCE funds the research infrastructure and curiosity driven 'blue-skies' research and is therefore interested in the quality of institutions' research in broad terms (not specific to projects). The RAE and REF are intended to identify where excellent research occurs in sectors, using standard criteria and methods that distinguish between work that meets international and national standards of excellence. We use this explicitly to fund research selectively.

104. In practice, research excellence and funding for research is concentrated in a relatively small number of institutions receiving the majority of research funding: 10 universities receive 50 per cent of QR, 23 receive 75 per cent. Also, eight universities receive 50 per cent of Research Councils' funding, while 18 receive 75 per cent.

105. Although the RAE has been driven by HEFCE's funding approach, it has come to serve wider purposes. Institutions make widespread use of the assessments in internal planning

and management of research activity (including resource allocation). It also has wider information value, with RAE ratings often seen as indicators of prestige (those institutions with high RAE ratings emphasise them in marketing their wider services).

Enabling business to innovate

106. Policy geared at enabling businesses to innovate is intended to improve productivity, add more value or lead to the development of new products and markets. Current HEFCE metrics do not measure the changes in business, instead focusing on input, activity and output measures. Income is often used a proxy for quality in relation to knowledge transfer – the drawbacks of this are discussed below. We define business widely to include the public sector and the third sector.

107. Businesses are the primary beneficiary of innovation activity, although universities also benefit where they can create an income stream by selling their know-how to fund other activities.

108. Given the legal framework in which third-stream activities operate, institutions involved in selling knowledge must act 'commercially' – they cannot subsidise a business or distort the market with public funds, because this is contrary to State Aids, EU and UK competition policy. Instead knowledge transfer activity must focus on public benefit, either:

- value to the business that is the beneficiary, this needs to be either fully funded by the business or have spill-overs into other forms of value
- value to the public and a legitimate charge on public purse, for example regeneration in market failure or working with public services, or
- value to the HEI and its core public activity such as teaching or research.

What work has been done to measure the quality of institutions' interactions with business on the innovation agenda?

109. HEFCE first introduced funding to build capacity in institutions to enable them to work with business on innovation in 1999. The Higher Education Reach Out to Business and the Community fund and the more recent HEIF were accompanied by an annual data collection exercise¹⁰. Over the past seven years, the HEBCI survey has developed into a reasonably complete and credible suite of metrics for each institution and a picture of activity across the sector.

110. Since 2006, we have used a combination of HEBCI and appropriate HESA metrics to drive HEIF funding for round three and now round four (HEIF 4). We are collecting information on how institutions have measured the success of their HEIF 4 strategies. Many HEIs draw on HEBCI or other surveys such as those conducted by knowledge transfer bodies¹¹; others are developing benchmarking clubs, international comparisons and bespoke surveys or evaluations of their impact and performance. We will publish an overview of developments in the sector in October 2008.

111. There is extensive work on third-stream metrics nationally and internationally. There are surveys within the HE sector, though they are less detailed than HEBCI¹². International knowledge transfer networks also share thinking on metrics. We are part of the European Union knowledge transfer metrics group and oversee a study we funded jointly with Research

Councils UK, DIUS and the Scottish Funding Council on US and Canadian metrics comparisons.

112. DIUS and agencies such as HEFCE and the Research Councils are working with many academic centres¹³ in developing metrics. There is particular interest in the economic and social impact of higher education, the subject of a research programme jointly funded with the Economic and Social Research Council (ESRC) and other funding councils. This is in addition to the ESRC's own research programmes into matters such as innovation. All these activities should enrich understanding of innovation and higher education's contribution to it, and may help develop new metrics.

113. More generally, there are also surveys on innovation from outside higher education – such as the EU Community Innovation Survey, OECD studies and forthcoming work announced in 'Innovation Nation' from the National Endowment for Science, Technology and the Arts and others. These demand-side surveys may be less informative on the contribution made by individual universities, though they do identify higher education generally as a source for innovation. There is also a growing body of international work through the various European knowledge transfer networks, the European Science Foundation and with Australian counterparts on their third stream.

What have we learned about measuring performance?

114. These reflections build on our experiences in devising metrics to drive HEIF 4, as well as those from our third-stream evaluation and public and community engagement measurement exercises.

115. Around 50 per cent of the third-stream income that we use to drive HEIF comes from non-commercial sources including the public and third sectors and regeneration income. Given similarities between innovation in commercial and public services sectors, it makes sense to widen the focus beyond commercial business. Generally we distinguish between:

- a. Conventional knowledge transfer or innovation, which has a specific beneficiary who may pay for the higher education contribution (of which technology transfer or commercialisation is a subset).
- b. Public-good activity in public and community engagement, with no explicit beneficiary and where income is not an appropriate measure.

116. Generally, it is easier to measure conventional knowledge transfer across businesses and the public and third sectors, because it involves transactions with a specific business, public service or third-sector organisation. The transaction produces the metrics, particularly where money is involved, although not always reflecting the full cost where there is public or university value. Activity and output indicators can also be important.

117. Identifying appropriate measures of the public good activity in public and community engagement is particularly challenging because such activities are often not paid for; they also have broad audiences, many forms and a variety of complex and various intended outcomes (which may include raising awareness of HE, raising aspirations or inspiring civic engagement). The diversity of activities also makes it hard to develop appropriate metrics; the smaller scale nature and variety makes it hard to select a few metrics nationally; and the variety of outcomes makes value measurement even more taxing.

118. In defining quality in this context, we need therefore to distinguish between quality of outcome for the business or public service – productivity, high value added or wealth creation – and the quality of the process of engagement and knowledge transfer activity by the university or institution.

Quality of outcomes

119. Our existing work has suggested that it is hard to measure quality in terms of outcomes (for the business) and quality is most likely to be measurable in specific projects. In the HEIF 4 strategy assessment, we are looking for signs that HEIs themselves are seeking to measure or assess the impacts of their activity on beneficiaries, sometimes through qualitative information (such as user satisfaction surveys, repeat business or strategic agreements). Similarly, our third-stream evaluation seeks to measure internal cultural change, rather than external impact, based on some user impact or satisfaction information.

120. Income is both a proxy for impact and an indicator of quality of process (it is also an outcome for the university or college, because it generates revenue that could release academic time). So those that generate the most income are most likely also to be satisfying businesses, public and third sector services, and to be effective and efficient in knowledge transfer activity. Although income is a fairly robust and objective metric, it potentially confuses the intended aim of the public investment: the primary aim of HEIF is to achieve economic and social change, not to generate revenue for the university (although this may be a not unwelcome spin-off). More than that, it is arguable that the potential for the greatest social and economic change is likely to lie with those least able to afford the full economic cost of knowledge transfer activity. A drawback of measuring quality on the basis of income, therefore, is that it may divert energies away from the intended change and towards simply generating more income.

121. We recognise that there are other, non-income measures of more direct economic activity, although we do not currently use them in HEIF because of difficulties in assigning values to particular outcomes, such as spin-out companies and academic or student start-ups, and adding them together. We do collect information about the number of public-good events (see paragraph 131), but do not currently use the data in our funding decisions.

Quality of process

122. It is equally difficult to measure the quality of knowledge transfer processes, because outcome performance (largely income as a proxy for change in the business) will be affected by factors beyond knowledge transfer activity itself, including:

- a. The 'offer' – the potential for the knowledge transfer of the underlying research and teaching activity. We support all institutions towards some form of third-stream activity, but HEIs with disciplines such as engineering and business have traditionally had more to offer through knowledge transfer.
- b. The location of the university or college – knowledge transfer is easier in a conurbation with more high value-add businesses.

123. It is therefore difficult to assess the quality of performance of 'knowledge transfer offices' (KTOs) – which are the main conduit for commercialisation in a university – because it would be virtually impossible to isolate the performance of the KTO from wider issues such as

the university's location or its subject strengths. We also find from HEIF 4 strategies that knowledge transfer capacity tends to be distributed across the HEIs interwoven with academic units and in different functionalities; and is not siloed in a discrete KTO as sometimes thought.

Institutional mission

124. Diversity of institutional mission and the knowledge transfer offer was a big issue in the Sainsbury Review of Science and Innovation¹⁴ and HEIF 4 development. We have been considering ways to improve understanding of institutional diversity and performance, including in our support for research studies on benchmarking HEIs against overseas comparators such as other European countries and North America.

125. There appears to be a strong correlation between research income and performance against most measures we collect in HEBCI and use in HEIF. Hence we have not yet found ways of capturing in metrics different types of third-stream contribution. As an example, consultants¹⁵ who are evaluating our third-stream work used existing higher education and third-stream data to cluster HEIs by 'types'. They found two dimensions were significant to creating clear clusters: income from research; and income from Small and Medium Sized Enterprises (SMEs) and regeneration activity. HEIs could also be clustered by their different proportions of activities and levels of income, such as their proportion of income from SMEs.

126. There has been much recent debate about improved metrics to measure community or public engagement. This is partly driven by some universities and practitioners who feel that there is insufficient recognition of the valuable range of activities they undertake.

How might measures reflect different institutional missions?

127. A general point emerging from our analysis of HEIF 4 strategies is that many universities and colleges include internal performance metrics - such as the number of academics involved in knowledge transfer - with external performance measures. This highlights the fact that third-stream work is still relatively new. HEIs use a range of other sources of information, such as impact studies and customer satisfaction studies, to describe and guide their knowledge transfer activities, because national metrics may not be detailed enough.

128. We support the development of a very broad range of third-stream approaches and activities. What a university can offer is affected by multiple factors from its overall strategy and strength in knowledge transfer (including the competence of its knowledge transfer capacity) to the potential for third-stream activity derived from its core teaching and research and location. So, different universities can quite legitimately choose to focus on different metrics that could be of high quality but in very different ways.

129. A danger in selecting from the available third-stream metrics is that we may constrain the choices of HEIs. We might also be seen to favour either research- or teaching-intensive institutions in our selection or to imply that HEIs should have some underlying mix of teaching or research. All this could reduce diversity in the sector and make universities and colleges more reluctant to identify and meet the individual needs of different businesses.

130. If we believe that the institutions that are strongest at enabling businesses to innovate generate the most value for those companies and the economy (and society) then we should consider how best to measure this. Measurement of their actual economic impact through

Gross Value Added (GVA) or a balanced scorecard would be the ideal and this is discussed further in Section 5. Although HEIs may collect this information for specific projects, it would need considerable work to do so systematically across a whole institution and it would be hard to collect such information centrally.

131. Our other major metrics gap is in levels of community and public engagement activity – what is called the ‘public good’ contribution. We do collect relevant data on attendance at public events, but we recognise that this does not fully reflect all that HEIs may do in the field and the extent to which they are strategically committed to community or public engagement. We plan further activity in this area which may draw on the analysis of HEIF 4 strategies, Strategic Development Fund projects and the work of the Beacons of Public Engagement.

High-quality teaching

132. Good teaching is crucial in higher education, not least for undergraduates. Through it, we can develop a high-performing workforce that will generate value for the UK economy, as the Leitch review¹⁶ persuasively argued.

What work has been done to measure the quality of teaching?

133. The history of assessing teaching quality dates back to the introduction of external examiners during the Victorian expansion of large provincial universities in the 19th century. More recently, the Council for National Academic Awards assessed teaching quality in polytechnics and colleges from 1965 to 1992. The Quality Assurance Agency (QAA) has had responsibility for higher education quality since 1997. Since 2002, a formal, low-burden Quality Assurance Framework (QAF) has been based on the following principles:

- a. It is the primary responsibility of each university or college to operate robust internal mechanisms for: setting, maintaining and reviewing quality and standards; generating information about its quality and standards; and publishing the key parts of that information.
- b. It meets public information needs, so that stakeholders – above all, students – can obtain up-to-date, consistent and reliable information about the quality and standards of teaching and learning at different HEIs and in different subjects.
- c. It is light-touch, to reduce the burden on HEIs to the minimum consistent with proper accountability and meeting information needs, and thus to secure the greatest value from the resources used.

134. Essentially we expect institutions to have their own excellent quality assurance processes in each subject. Rather than formally assessing each subject itself, the QAA audits an institution’s organisational approach to quality and HEFCE collects and publishes quality data. The audit process consists of:

- a. Institutional audits from the QAA¹⁷. This evidence-based process is carried out through peer review. It balances the need for publicly credible, independent and rigorous scrutiny of universities and colleges with the recognition that the institutions themselves are best placed to provide stakeholders with valid, reliable and up-to-date information about the academic standards of their awards and the quality of their educational provision. Institutions are audited every six years (with a mid-cycle

desk-based update). They can receive a judgement of 'no confidence', 'limited confidence' or 'confidence' depending on the soundness of the institution's management of the academic standards of its awards (now and in the future) and the quality of the learning opportunities available to students. We have a key performance target that at least 95 per cent of HEIs receive judgements of confidence in QAA institutional quality audits. This target has been met over the seven-year period of its existence and all eligible institutions have been audited.

b. The publication of Teaching Quality Information (TQI), which is information about teaching quality and standards. TQI incorporates the National Student Survey (NSS), which is the annual survey of student satisfaction with subjects and universities or colleges. The survey considers issues such as learning resources, assessment and feedback, organisation and management, and academic support. It also presents an assessment of overall satisfaction. TQI also includes the annual Destinations of Leavers from Higher Education survey and a range of HESA statistics. All TQI data are made available to students and the general public through the www.unistats.com web-site which is updated annually.

135. Alongside these two key mechanisms there is also a procedure when there are 'causes for concern'. This is administered by the QAA, and is used to address any policy, procedure or action by a university or college that seems likely to jeopardise its capacity to assure the academic standards and quality of any of its higher education programmes or awards. The QAA produces good practice guides derived from its audits aimed at enhancing teaching quality.

136. Another important agency for promoting teaching quality is the Higher Education Academy (HEA), which promotes good teaching practice through research and evaluation, professional accreditation and staff development.

What have we learned about measuring performance?

137. We believe that the QAF currently provides a robust and proportionate approach to the monitoring of teaching performance in HEIs in a way that recognises their diversity of practice. The current cycle of audits finishes in 2011 and we are considering whether the QAF will require some modification after that.

138. The Higher Education Policy Institute recently assessed perceptions about the variable level of effort required by students across institutions, disciplines and internationally. We are commissioning work to bring together much broader and more robust evidence on these issues.

139. Two issues at the heart of the public debate on teaching quality are 'contact hours' – the number of hours in which students have direct contact with lecturers or tutors – and the total student effort required to achieve a degree. These are likely to remain salient, not least because of attempts to equalise the value of degrees across Europe through the Bologna process¹⁸ and the expectations of students and the media. There may be a case for greater and more accessible public information on what students can expect from their programmes of study, including such issues as contact hours and student effort.

140. Further education colleges are not currently covered by the quality assurance framework, but have their own, parallel programme called Integrated Quality Enhancement Review (IQER). This is an evidence-based peer review of a college's management of the student learning experience and how it meets its responsibilities for the academic standards and quality of its HE provision. The IQER runs until 2011-12. After that, there may be opportunities to align the IQER with the mainstream QAF in the next cycle of inspections and to include FECs formally within the framework.

141. The Higher Education Academy and its subject centres are working hard with the sector to make improvements to the learning experience as a result of the outcomes of the NSS¹⁹. Partly in response to the widely reported, but few in number, instances of inappropriate influence on students, we intend to strengthen the guidance to institutions and have established a new procedure for investigating complaints.

142. The HEA is also central to raising the quality of teaching in the sector. The sector owned UK professional standards framework provides a clear basis for developing individuals' teaching competence. The HEA accredits institutions' teaching enhancement programmes, leading to recognition of staff through its teaching fellow scheme. The number of fellows is growing, demonstrating the commitment of some HEIs to the continuous development of teaching practice.

How might measures reflect different institutional missions?

143. The QAF provides us with robust evidence that institutions' own assurance processes are of a high standard and are appropriate to the student body and mission. Our policy approach has been to insist that all institutions should have high-quality teaching, whatever their mission or approach. The QAF does not, therefore, differentiate between institutions in a way that would help to identify diversity of mission.

144. More generally, it is not easy to assess the quality of a student's educational experience through inputs and outputs. Good teaching should have a differential impact: students with high A-level entry grades are more likely than other students to emerge with a good degree classification and graduate employment even if teaching is not of the highest standard, but the impact of good teaching and associated support mechanisms on a student from a different background could be significant, even life-changing.

145. However, our current measures fail to reflect fully the achievement of many institutions in developing the capacities of students from diverse backgrounds. While it would be difficult to develop a robust measure of educational value added, such a measure could illustrate which institutions put teaching at the heart of their mission. An appropriate value-added measure would move away from simplistic input/output measures to provide a more sophisticated understanding of teaching and learning. We discuss value-added measures further in Section 5.

Widening participation and fair access

146. One of the funding councils' key performance indicators is to increase participation in HE in line with the funding and policies set out in the Secretary of State's annual grant letter. We have therefore developed measures to help us to monitor progress, evaluate good practice and distribute funding.

What work has been done to measure institutional success at widening participation?

147. Widening participation is reflected well by our performance indicators. These show how many students come from lower socio-economic groups, state schools and colleges, and low-participation neighbourhoods. They also measure access by mature students, full- and part-time.

148. The Performance Indicators Steering Group (PISG) reviewed the performance indicators in 2007²⁰. Respondents to the PISG's survey were largely positive: they used the indicators in a variety of ways, and wanted them retained in their current format where feasible. Most found the benchmarks helpful, and were generally content with the factors used in their construction.

149. Universities also report to the Office for Fair Access (OFFA) against a limited range of milestones and objectives they have set for themselves. These are reported annually by OFFA at www.offa.org.uk.

What have we learned about measuring institutional performance?

150. The performance indicators enable individual universities and colleges to assess and benchmark their own performance in relation to others. Benchmarking, in particular, avoids crude comparisons. For example, rather than making simple assumptions on the basis of the proportion of entrants from lower socio-economic groups, one can also take account of entry qualifications and curriculum comparisons. Comparisons are more meaningful if benchmarks are taken into account and like is compared with like. Even then, performance indicators only reveal the distribution of students from different backgrounds across the sector. Wider population statistics are needed to see whether participation of particular socio-economic groups has altered.

151. Even the use of benchmarks has its limitations. Since benchmarks are an average, some institutions must always be above the average, and others below. It would be possible to define a margin (distance from benchmark) to provide limits within which performance could be said to be acceptable, but the performance indicators table already records 'significant' variation from benchmark. And, of course, the benchmark itself may require improvement. A more significant misuse of such measures could arise if they generated an expectation that some institutions will excel at widening participation, while others will have strengths in other areas.

How might measures reflect different institutional missions?

152. Performance indicators provide a snapshot of comparative performance between institutions across the sector. They do not say anything about participation rates nor, arguably, do they capture other key dimensions of quality in widening participation, such as the impact of student support mechanisms. This is a similar point to that made in relation to teaching and knowledge transfer – we have measures that identify inputs and outputs, but do not examine the value added by, or quality of, institutional processes.

153. It would be difficult to construct a measure of widening participation 'quality', although one could measure the degree to which an institution has made a commitment to widening participation and how effectively it has worked towards making progress against targets it has identified.

154. Narrowing the social class gap in higher education participation is a shared objective for schools, colleges, universities, communities and Government. Differences in education outcomes appear early and are deeply rooted in social structures and experience; they are persistent over time and difficult to overcome. There are no instant solutions.

155. Key measures of quality are thus concerned with *commitment* and *engagement* because these are critical to the ability of universities to deliver their contribution to widening participation. They are key attributes that are relevant to HEIs of all kinds, and therefore enable us to identify excellence in a diverse sector. It might be possible to identify a range of evidence on commitment and engagement and use this as the basis either for self assessment or as the basis for a QAA-type audit.

156. OFFA already requires those universities and institutions that wish to charge higher fees to set out their minimum commitments to widening participation and fair access in an access agreement. This only captures a small part of what is covered above, so HEFCE and OFFA are discussing a new approach: a requirement on institutions to bring together the whole range of commitments to widening participation in an annual comprehensive strategic assessment. This would provide evidence for institutional commitment and engagement as a measure of quality.

157. If we were to quantify such commitments, we would require a more detailed scoring system. One could identify key elements in the strategic assessment, rate them on a scale of 1 to 100, with a final score agreed with the relevant HEFCE regional team in consultation with OFFA. Alternatively, we could mirror QAF teaching assessment with straightforward judgments of confidence or otherwise in widening participation quality.

158. Whatever approach we were to use, we must avoid creating a system that actively contradicts the 'fair access' agenda. We need all institutions to contribute to widening participation and for those that make an outstanding contribution to have a reputation as accessible and open. A risk is that success in widening participation could be interpreted as a sign that an institution is unable to recruit more highly qualified students, with the associated negative impact on an institution's reputation. This could in turn act as a significant disincentive to engage in widening participation activity.

Creating a 'world-class' workforce

159. Higher education has long had a role in developing the knowledge and skills of the workforce. Traditionally, the strongest emphasis has been on ensuring that HE graduates possess the necessary skills and attributes for employment: generic skills, such as communications, team working and problem solving; and specific vocational and professional skills, particularly in key disciplines, such as science, technology, engineering and mathematics. And employment outcomes for graduates remain strong with many employers offering students the opportunities for work placements which are excellent routes to enhanced employability.

160. However this relationship is changing and deepening, not least as the demand for higher-level skills increases to support business growth and greater productivity. The development and growth of foundation degrees – to which HEFCE has committed funding since 2001 – has encouraged closer partnerships between employers and HE to create work-related courses both for people entering the workforce and for those already in work.

161. The success of foundation degrees can be measured by far more than the substantial year on year growth in their take-up (there are now 40,000 new entrants each year). There is increasing understanding of their potential to underpin the 'professionalisation' of many occupational areas, particularly in the public sector, and they are meeting private-sector demand for managers and highly skilled technicians in key economic areas of skills growth and shortage.

162. These changes are taking time to work through but the evidence of progress is growing and the pace of change is accelerating. The HEBCI surveys, which have reported annually since 2001, have shown more and more universities reporting high levels of employer engagement in the curriculum, use of labour market information in course design and income generated from continuing professional development (CPD).

163. The Leitch Review¹⁶ added to an important debate initiated by the earlier Lambert Review²¹, about the role of higher education in supporting future economic growth. A key question was how higher education should build on its well-established relationships with business - in research, knowledge transfer, undergraduate and postgraduate education - to work with employers in the much less well developed areas of workforce development and CPD.

Graduate employability

164. We have a well-established indicator to measure graduates' employment outcomes six months after graduation. This is based on the Destinations of Leavers from Higher Education annual survey, and captures the proportion of graduates in work and further study, with a benchmark for institutional factors known to affect graduate employment outcomes. The employment indicator is not used to allocate HEFCE funding, but with students paying higher fees, it is increasingly important in assisting student choices.

165. The six-month employment indicator is regarded as a partial measure of employment outcomes. So, we have introduced a 'longitudinal' survey that captures graduates' employment outcomes three years after graduation. While we do not currently anticipate using this survey to create a formal performance indicator it could provide a complementary data resource and we will evaluate how useful this metric is in measuring performance once sufficient data are available.

166. Given that many of the factors affecting graduate employment outcomes are outside the control of their university or college, we do not currently believe it is appropriate for HEFCE funding to be driven by these factors. However, the indicator has the long-term potential to be one of a basket of measures which could collectively be used as a basis for incentive funding mechanisms.

Improving the skills of the existing workforce

167. Our 2008-2011 funding settlement includes at least £105 million to build employer engagement capacity and achieve targets for growth in the numbers of working people starting courses jointly funded by employers (5,000/10,000/20,000 entrants over three years). This co-funding model is straightforward: universities and colleges must generate financial contributions from employers that, together with HEFCE's funding contributions, will at least cover their costs.

168. In projects we have approved since September 2007 our expectation is that, after three years, most of the providers will be able to generate sufficient revenues from employers for their operations to be financially sustainable with a HEFCE contribution set at half its normal funding rates (sometimes referred to as '50 per cent co-funding').

169. Because this is a relatively new area of work, we are still developing an appropriate definition of quality in this context, drawing upon the experience of other policy streams. We are particularly keen to align any measurement of performance in workforce development provision with our approaches to quality in learning and teaching and to those for measuring broader business engagement.

170. Accredited HEFCE-funded workforce development is currently subject to the same QAF as mainstream provision; this is important in assuring employers and employees of its high standard. As this provision becomes more embedded in the HE sector, we will need to balance innovation with maintenance of standards, so this will be reviewed for the post-2011 QAF.

171. In one sense, by asking institutions to achieve co-funding contributions from employers of at least 50 per cent of the relevant HEFCE rate after three years, we are already applying an important performance measure on them. Where institutions don't secure this business from employers, we will claw back appropriate funding.

172. The Sainsbury Report¹⁴ is one of several Government reports to urge greater recognition that some institutions which are particularly successful with business should be rewarded and incentivised, particularly as an alternative to a research-focused mission. We need to find ways to identify the characteristics of such universities or colleges if we are to meet pressure to fund specific additional costs and risks associate with such an approach.

173. As with our approach to supporting business innovation, a distinction may reasonably be made between measuring a provider's own outputs and changes in business productivity as a result of their interactions with HE. With workforce development, we would expect a close link between employer and provider and could measure performance through employer and employee satisfaction with their HE experience.

Potential performance and quality measures

174. The overarching policy goal here is to maximise UK economic growth. OECD comparisons suggest that workforce skills can contribute around 20 per cent of the desired growth; the rest being driven by innovation, enterprise, competition and investment. Measuring the impact of improved graduate employability and HE-based workforce development is hampered by the difficulty in separating their effects from those of other drivers. Even if these effects could be isolated, it would take a long time to work through the system and for them be detected in any of the standard economic measures. This is why we must apply intermediate measures.

175. The key measures implied by the Leitch Review are:

- a. The proportion of working adults qualified at Level 4 and above, as measured by the Labour Force Survey (LFS). The LFS defines Level 4 as a qualification achieved through one year's full-time attendance at an HEI or an equivalent qualification.
- b. The age range of working adults achieving Level 4 qualifications.

- c. The responsiveness of HE providers to employer demand for HE-based workforce development.
- d. The economic relevance of the provision delivered.
- e. The level of investment by employers in HE-based workforce development.

176. The first two of these measures can easily be tracked and monitored at a national level using the LFS. Measures (c), (d) and (e) require breaking down into a lower-level set of indicators which can be separately tracked and monitored.

177. The responsiveness of HE providers to employer demand can be measured through:

- a. The characteristics of an institution's infrastructure and the quality of its processes for enabling employer access, identifying their requirements and delivering effective and efficient education or training solutions.
- b. The numbers of employers using the provider, the volume of business and trends in these over time.
- c. The number of employees participating in education or training and the outcomes achieved. However, an employer or an employee may be happy with a partial qualification, so these outputs may not relate directly to the LFS Level 4 attainment.
- d. Measures of employer and employee satisfaction with the quality of the education or training delivered.

178. The economic relevance of the course and qualification can be measured through:

- a. The extent to which it met employers' identified needs. This could be assessed through an appropriate satisfaction measure. The National Employer Skills Survey does this to some extent and it could be developed further.
- b. Its impact on business performance. We identified in paragraph 120 the difficulties associated with proxy measures. An alternative approach would be to apply a more subjective measure that relies on an employer's opinion of whether identified business impacts were achieved following the course.
- c. Assessments of national, regional and local high-level skills shortages reported by employers to Regional Development Agencies and Sector Skills Councils.
- d. The numbers of employees studying or achieving qualifications in strategically important subjects – that is, subjects that are important to the national economy, such as science, mathematics or modern foreign languages.

179. There are at least two dimensions to the measurement of employer investment:

- a. Measurement of the amounts invested, the numbers of employers investing (analysed by size, sector and location) and trends over time. Some institutional business revenue data are already collected through the HEBCI survey; this could be improved. However, it is more difficult to determine the baselines against which trends should be measured, given the lack of reliable and consistent mechanisms for identifying employers' total investment in education and training for their employees.
- b. Institutional sustainability and whether the revenues generated from employers are sufficient to ensure the viability of institutions' employer-focused infrastructure and

provision, given the lower rates of HEFCE funding paid for employer co-funded provision.

180. There are three important issues to consider when developing these measurements:

- the different expectations of employers and employees
- the importance of sustaining the value of the UK higher education brand
- the differential impact of initiatives with respect to Government expectations and economic impact.

181. Employers expect institutions to produce students with the knowledge, skills and competence to perform effectively in their businesses. For a particular course or programme, this means delivering the desired business impact. Overall quality will be judged by business by value for money and return on their investment. Employees, on the other hand, are more likely to judge the quality of an institution in terms of self-worth and whether learning opens up new opportunities in terms of improved economic prospects or enhanced job satisfaction.

182. It is vital that we sustain the high value of the UK higher education 'brand' nationally and internationally. At present, this is judged by the extent to which we avoid undermining the value of the brand rather than the extent to which we enhance its value.

183. Government is always looking for *net* impact – on employers or individuals who would not have otherwise got involved in higher education – to justify its expenditure. This may not always equate with generating the greatest economic impact, which may have at least as much to do with employers and individuals repeating or continuing with higher education.

What work has been done to measure the quality of workforce development activity?

184. The key data collection tool is the HEBCI survey which reports the number of universities and colleges engaging with employers and revenues generated for continuing professional development. It is particularly useful for information on: part-time students; those for whom employers are contributing to some extent; foundation degrees; and completion rates. However, these output measures are only a proxy for quality, because they assume that high demand signifies high quality.

185. The LFS could provide details on the levels of participation and qualification levels in the working population. Here again, the data does not signify quality so much as baseline participation. There is evidence about employer attitudes to education and training and how they judge quality from the National Employer Skills Survey and studies by the Council for Industry and Higher Education²² and the Centre for Enterprise, although this is limited.²³

What have we learned about measuring performance?

186. Currently, we tend to measure what we can rather than specifying more fundamental indicators and finding ways of collecting data on those. Most of our measures are associated with funding so there is a danger that by confusing performance measures with funding, activity will become skewed towards maximising public funding income.

187. By focusing separately on workforce development, we could find ourselves measuring single activities within institutions – such as skills development or knowledge transfer activity – when the value to an employer and to the economy may be most effectively represented by a

balance across a range of different activity measures. The danger is therefore that in pressing for maximising performance in one area – say, skills – we undermine performance in other areas with a resultant overall decline in quality.

188. Mainstream performance indicators can work against policies for growth in new and developing areas. For example, the design of completion rate indicators makes them wholly appropriate as indicators of performance in relation to undergraduate education, where the intended qualification outcomes are known from the outset, but not appropriate in workforce development, where individual employees are much more likely to adopt an approach to learning based on the acquisition of small units over time.

How might measures reflect different institutional missions?

189. This is an area where more data could generate greater insight, even if they simply augment existing data collection processes such as the HEBCI survey. We could collect a combination of simple input/output measures – such as the number of first-time and repeat customers to HE, amount of revenue generated or level of student attainment – and impact or satisfaction measures from co-funding employers and students.

190. It would also be useful to collect a measure of the extent to which each university or college engaged with employers; this could help assess the quality of the institution's infrastructure and employer-facing market activity. This bears some resemblance to the way in which we measure and fund the HEIF, where the metrics attempt to measure the extent to which institutions are engaged with innovation; it also echoes the points made in the previous section about commitment and engagement to widening participation. This would only be possible through a bundle of metrics, and would have similar limitations in the use of proxies for quality and value added.

191. Workforce development measures may not be so strongly correlated to research strength as are other third-stream measures – we have yet to do the analysis – so careful selection of metrics could identify a set of institutions with a strong workforce development mission. HEBCIS data analysis showed that different universities scored highly when we ranked them by numbers of small firms engaged than when we ranked them by income from small firms.

192. Metrics would also indicate the feasibility of employer engagement as a sustainable business model – we could discover the ability of an institution to fund a thriving employer engagement business from the revenues it generates from employers and appropriate HEFCE co-funding contributions. We could start to measure this over the coming years as institutions build their employer-facing activities through a variety of business models.

Key messages

- HEFCE has undertaken extensive work to define measures of quality and success, particularly in research, widening participation, teaching and enabling businesses to innovate. We publish information that helps institutions set their own targets, including Research Assessment Exercise (RAE) results, widening participation benchmarks, the National Student Survey and the Higher Education – Business and Community Interaction survey.

- More could be done. A number of ideas are floated in this section of the report that could be developed further. In learning and teaching and in knowledge transfer we suggest that value-added measures could supplement proxy measures and identify an institution's impact and contribution to delivering Government policy. We could measure an institution's commitment and engagement to the widening participation agenda and there are a variety of new measures considered in relation to the emerging workforce development agenda. We would wish to consult more widely on whether these ideas should be developed further.
- Our experience with Higher Education Innovation Fund metrics is that most hard knowledge transfer measures correlate to research income, and that research-intensive institutions therefore tend to dominate both research and innovation measures. This suggests that it may not be correct to assume that hard measures will differentiate between the 'core' missions of research, innovation, teaching, widening participation and workforce development. Finding such distinctions would require careful thought and selection of appropriate metrics, which would be much disputed.
- We expect all higher education institutions (HEIs) to have high-quality learning and teaching and to contribute to widening participation: a more explicitly differentiated funding system would risk creating disincentives for HEIs to be involved in these key policy objectives. Indeed, as discussed in paragraphs 152 to 158, suggesting that some institutions will excel at widening participation could increase the social segregation already apparent in the sector and contradict the thrust of the 'fair access' agenda.
- We have a diverse sector, working to a variety of missions. To use only the five policy areas identified by the Secretary of State could lead to a limited view of performance within each area, distort institutional behaviour, limit thinking and detract from the wider contribution of HEIs to their localities and society. The risk of unintended consequences is high.
- Although research evidence has shown that the greatest multiplier in terms of external productivity has come from research results, the picture is complex. Potentially it is the interrelation between research, knowledge transfer, undergraduate and postgraduate education, continuing professional development and workforce development that creates the greatest economic impact. Although there may be some institutions that see themselves operating primarily in one policy area, the reality is that it is the combination and the interplay between these areas that defines mission and diversity within the sector. There is therefore a danger at looking at measures in a single area, without acknowledging the multi-dimensional nature of higher education and its providers.
- Comparative measures do drive performance, but not necessarily mission. The RAE has allowed us to fund institutions selectively; however, research is so central to the very idea of a university that, despite receiving relatively little quality-related research funding, many institutions continue to place it at the heart of their missions. In the next section, we discuss institutional approaches to defining mission.
- Further education colleges are largely missing from this analysis because HEFCE does not collect the same data for colleges as we do for HEIs. However, there is information collected by Ofsted and the Learning and Skills Council, as set out in Annex C. We explore this point (and value-added measures) further in Section 6.

- Most of our stakeholders whom we consulted queried the purpose of using measures to take account of mission. If it is simply to celebrate success and market the diversity of the English HE system, the approach can be softer, more enabling, with a sector focus. If it is to drive institutions towards greater diversity or to fund them selectively, we will need a more robust approach because the measures will have to bear greater pressure.

193. This section has discussed the measures that HEFCE uses to understand institutional performance. Data does not define mission, rather it is an indicator of it. The next section considers how institutions define mission, and how they use performance measurement to drive activity.

Section 3: Institutional mission and performance

194. Our world-class system of higher education is delivered by autonomous universities and colleges that define how they will position themselves in the sector through their own missions, operating objectives and targets. The differences between institutions become clearer in their corporate plans and key performance indicators. This section looks at how universities and colleges are active in defining mission and monitoring success.

195. We have argued above that the five policy areas identified by the Secretary of State do not reflect the breadth of contribution that universities and colleges make to our economy and society; this section provides more detail on this.

Other activities that can define institutions' missions

196. Discussions with stakeholders suggest that the five policy areas identified by the Secretary of State do not reflect the breadth of institutions' missions and aspirations and how they measure themselves. Others include:

- a. **Student experience** – providing innovative and vocationally relevant courses that increase graduate employability; meeting student needs for information and guidance; research-informed teaching and scholarly activity.
- b. **Institutional sustainability** – including staff development and succession planning; monitoring social, economic and environmental impact on local communities; carbon outputs; a raft of financial measures to sustain the viability of the business.
- c. **Diversity** – the importance of a diversity of students and staff and equality of opportunity contributing to overall culture of institution.
- d. **Public engagement** – including a commitment to partnerships and alliances that will work across boundaries to raise aspirations amongst local communities (for example, sponsoring academies and trust schools, student volunteering, Aimhigher partnerships); enabling social mobility; fostering social cohesion and businesses (for example, working with small and medium-sized enterprises, facilitating business start-ups).
- e. **Cultural engagement** – including sport, volunteering, artistic spaces, theatre.
- f. **Regeneration** – commitment to the economic and social impact on the region, including working with other university and college partners in partnership to deliver regional or sub-regional change.
- g. **Internationalisation** – overseas delivery and campus developments; on-campus recruitment; international student experience; curriculum; overseas support.

197. So, the five policy areas may only scratch the surface of institutional missions; in addition there may be a range of diverse goals, reflecting the aspirations, individuality and location of an institution, plus performance measures that are appropriate to those aspirations.

Mission groups

198. Although universities and colleges have multiple dimensions, they also tend to congregate around a common set of principles and aims through mission groups. In Annex D,

we include extracts taken from these mission groups' web-sites which are the public communication of their goals.

199. Membership of mission groups is as much a matter of historical accident as active choice. Despite significant effort, it is very rare for institutions to change their main mission substantively. The University of Warwick is a rare example of an institution that has transformed its research profile over time; however, as we have become increasingly selective about funding research, it has become increasingly difficult to make this kind of step-change (and arguably it would only be possible through an undesirable subsidy from teaching).

200. When we talk about institutions playing to their strengths, we recognise that this is often a balance between institutions recognising their role in the wider sector, their aspirations and the opportunities that policy drivers offer for change and/or recognition. Translating these factors into a mission that ensures an institution plays to its strengths is not straightforward.

201. Institutions' corporate plans vary. In some cases they have clear aims and objectives that show a genuine understanding of opportunities and strengths. In others, the message is more diffuse. Where institutions clearly align themselves to a policy objective, strategic clarity is more straightforward – Russell Group universities consistently cite research performance as a key performance indicator and core to their mission. However where institutions define their strengths across a number of policy objectives, strategic objectives can lose their precision, pulling activity in many directions.

202. Some might say that the Council and Government contribute to this lack of clarity. On one hand we want every institution to have high-quality learning and teaching and commit to the widening access agenda, but we also want them to meet many other objectives too. And at the same time, we expect them to be clear about market and mission.

203. When the Secretary of State commissioned this report, he emphasised the importance of the principle of diversity; this emphasises our belief that institutions should be able to set clear aims and objectives without trying to meet every agenda. As we introduce new policies, such as workforce development, institutions may cluster around a different set of priorities, but institutions should also be able to interpret policy objectives in ways that are congruent with their approach and mission.

204. However, if an institution makes a significant investment in transforming its approach to meet a Government objective, then it also needs support and recognition to build its esteem with users and other higher education providers. We are now seeing this in relation to workforce development where we have funded a number of institutions to develop new business models in this area. Performance measures may contribute here by providing robust and credible evidence of success.

205. One barrier to diversity may lie in the assumed hierarchy of mission that holds research in the highest esteem. The challenge to universities is not only to get institutions and their stakeholders to value the work of their peers, but also to value their own unique position in the market. Our role is to understand the commitment and contribution of institutions to policy areas, recognising that this can translate into different institutional styles and manners of delivery.

Tracking institutional performance

206. In classic management theory, part of defining a mission is understanding where you are and where you want to be. Performance measures are a key element of this and institutions are increasingly looking to use key performance indicators (KPIs) so that they can understand their own performance.

207. HEFCE has produced various good practice guides on strategic planning, key performance indicators and financial management²⁴. The Committee of University Chairmen (CUC) collected some information on institutions' current experience with KPIs, as part of its 2006 Governance Questionnaire exercise. The questionnaire asked HEIs if their governing body had adopted the indicators, and also invited them to provide more detail. Fifty-one institutions (about 50 per cent of those responding to this question) said that their governing body had adopted KPIs.

208. The CUC's analysis showed that institutions use the term 'KPIs' in different ways to that set out in the CUC's good practice guidance. The subsequent publication²⁵ provided case studies of the different ways in which institutions have approached KPI-setting – including differing data sets, traffic light systems, the European Foundation for Quality Management model and balance score approaches.

Setting KPIs: an example

Northumbria University in Newcastle-upon-Tyne uses a series of 70 indicators to benchmark performance. These are derived from external sources such as the NSS and HESA as well as internal financial and activity measures.

The indicators are grouped by Northumbria's seven strategic aims²⁶ providing a clear link between the mission statement and objective performance measures. A comparator group of institutions provides a sense of relative performance; its selection is designed to be stretching.

The analysis provides information on the university's ranking against the comparator group by each indicator, and its improvement or decline. It also uses a traffic-light system to show relative performance in a strong graphical representation of strengths and weaknesses. An aggregate of the results from all seven mission aims provides a clear steer to governors and management of where to focus improvement activities in the year ahead.

209. It is HEFCE's role to reassure itself that universities understand their own performance. But it is not our role to promote a standardised model of performance measurement or to dictate that understanding performance must involve measurement. We think there are a number of good reasons for this:

- a. Institutional managers are better placed than HEFCE officials to understand the culture and aims of their institution
- b. We still know relatively little about what works and what does not. By allowing a diversity of approaches to develop, we stand the best chance of developing a better understanding of the types of performance measurement that have the most positive effects in higher education.

c. The value of any given measure or system is not stable over time. There is a tendency for measurement systems to decline in usefulness as tactical or ritual approaches become commonplace. It follows that they require active management and regular review. This will be difficult if institutional managers are taking a lead from HEFCE rather than acting on their own initiative.

210. Given that key performance indicators need to be set and reviewed by governing bodies and their executives, HEFCE does provide important benchmarking data to help with this task. The Higher Education Information Database for Institutions (HEIDI)²⁷ is a subscription-based information source that collects together performance data and allows institutions to interrogate it to help with benchmarking activity. It is managed by HESA and includes data on students, staff, leavers, financial ratios, estates and widening participation.

211. It is also worth noting that Government and the funding councils are not the only organisations that measure institutional performance. Standard and Poor's, and Moody's, are two key commercial agencies that rate the credit-worthiness of borrowers against a standardised framework using an institution's own data.

Key messages

- We have a high-performing sector of autonomous institutions that can define their missions and monitor performance. We should celebrate their success in this regard.
- Institutions' missions are diverse. They do operate in each of the five policy areas, but do it differently, meeting various customer and learner needs, and use measures to monitor and track performance.
- If the Government wished to achieve greater mission diversity in the sector, more could be done to help institutions focus on their strengths:
 - In a more planned system we could simply define the spans of activity that we wished institutions to pursue. This would be highly undesirable, because it would stop institutions being innovative in meeting the needs of students, employers and communities.
 - Equally we could facilitate institutions in defining their own missions through emphasising market challenges, disseminating good practice, further reducing regulation, and continuation of the block grant. This is more in line with a market-led system.
- Parity of esteem is hard to tackle because there are entrenched barriers to changing a perceived hierarchy of missions. This is hindered by the narrow view of higher education that is sometimes promoted by the media and we need to be creative in finding ways to promote public understanding of contemporary higher education to reduce these barriers to parity of esteem.
- To succeed in an ever more dynamic HE sector institutions must focus on continuous improvement and quantitative measures can help them to do this. Where institutions submit information to HEFCE or other Government agencies it is valuable to disseminate this in a way that allows for benchmarking and performance improvements.
- Further work with the sector and with groups of universities or colleges with specific missions (such as the Russell Group, Million Plus and the 1994 Group) would help us to see if there are different ways to recognise missions and communicate these to user groups more effectively.

212. This section has focused on internal, institutional mechanisms for defining mission, but an important factor is how these are communicated to potential students and employers. Internal measures are designed for internal audiences; the next section looks at how external audiences digest and understand what is published.

Section 4: Students, employers and other users of higher education

213. How does a potential student decide which university or college to apply to? The answer will depend on a variety of factors including: the student's A-level results or prior qualifications; their age and family or work situation; the subject they want to study; and the advice they are given at school or by friends and relatives.

214. The amount of information available can be overwhelming, whether in Good University Guides, university web-sites, blogs, social networking sites or newspapers. At the same time, employers tell us that it is not easy to find the information they really want.

Sources of information used by students

League tables

215. League tables are perhaps the most easily digestible source of information and have become a well-established part of the information landscape. In compiling league tables, newspapers take apparently objective data and aggregate them to produce a neat ranking.

216. As our report 'Counting what is measured or measuring what counts?' (HEFCE 2008/14) showed, this process is flawed; seemingly objective data are often simply the subjective or value-driven views of league table compilers. League tables do not give a complete picture of the sector, either, because they focus primarily on full-time, undergraduate study, excluding small institutions, specialists and further education colleges. Their measures are often poor proxies for the qualities identified, relying on the available data rather than a clear sense of the characteristics of a 'world-class', 'business-facing' or 'teaching-specialist' institution. Given how they are compiled, league tables largely reflect reputation; yet they remain hugely powerful both in driving student choice and institutional behaviour.

National Student Survey

217. League tables are generally constructed from input and output measures, and say little about the experience of students. The NSS has been our most ambitious attempt to capture user opinions to inform student and employer choices. The influence of the NSS goes beyond new students; it has been the focus for improvement programmes at institutional and subject level. The NSS results web-site provides detailed, subject-level information to institutions and allows them to compare performance with other institutions. We hope that this enhanced information will drive further improvement at a subject level. The NSS is not linked to funding and therefore provides a different incentive for institutions to respond to the intelligence it provides.

Unistats

218. Sir Ron Cooke's 2001 review of the information available about the quality and standards of teaching in HEIs sought to define a set of qualitative and quantitative measures that could guide users in understanding the quality of an institution⁵. Over the years, this data set has been improved and was again evaluated in 2006 as part of our review of the QAF. This resulted in the Unistats web-site bringing together teaching quality indicators with NSS scores.

219. Where students and employers find information on universities and colleges is changing and there are developments by Sector Skills Councils, brokers and others to provide alternative forms of information, advice and guidance.

220. Social networking and other web-based information sources are beginning to gain wider use, but there is a question about the whether this user-driven content is robust or comparable. HEFCE's role is to ensure that there remains a counterweight of high quality, objective information. Unistats does this, taking teaching quality data and translating it into accessible information aimed at potential students.

221. We believe that it is important for users to have their say about higher education and have been pleased at the way in which the sector has responded to feedback from students through the NSS. We look forward to seeing the impact of DIUS's student listening programme on sector practice.

Business users

222. There is limited, sector-wide information for business users. The National Employer Skills Survey provides some indication of the level of employer engagement with higher education and, as suggested in Section 2, we could explore whether this could provide more useful information for the sector.

223. Businesses tend to rely on marketing information from institutions to inform them of services. Feedback from employer groups suggests that employers are overwhelmed with such information and that they need the right kind of intermediaries to filter relevant information for them. The Higher Level Skills Pathfinders have developed broker training to help intermediaries interpret the HE offer to inform discussions with employers.

224. For high-end knowledge transfer or where there is very specialised HE input based on particular research specialisms, the task of selecting a higher education partner may be easier. In some cases, RAE outcomes have sufficient profile and esteem to drive choice - however we are currently exploring the issue of collecting better information from businesses of the value they gain from working with HEIs on innovation because we suspect that RAE scores may not be adequate.

International and European rankings

225. We know that international leagues tables such as the Shanghai Jiao Tong University and Times Higher World Rankings have an impact on international student choices. These rankings correlate strongly with research outputs and may reflect a general assumption that research is a proxy for quality. It is unlikely that mission differentiation means much to international students. Even so, thousands of students are recruited by institutions who are not at the top of these international tables.

226. Universities UK produced a useful briefing in April 2008 charting the development of five European ranking/typology projects. This work responded to concerns that international rankings are unsatisfactory because their focus on educational inputs or research excellence adversely affects international competitiveness. The briefing identified five studies currently being undertaken in Europe aimed at identifying performance indicators that would aid student choice:

- a. **Classification of European Institutions in Higher Education** is led by the Centre for HE Policy Studies based in the Dutch University of Twente. It is funded by the European Commission to develop a typology of HEIs in Europe to help students and business make informed choices
- b. **The Centrum fur Hochschulentwicklung (CHE)**, based in Germany, operates an online ranking system of German universities based on feedback from students and academic staff, and is piloting the incorporation of Dutch and Flemish HEI rankings. This programme focuses on first degree programmes. Another programme run by CHE is designed to support students in choosing masters or doctoral programmes in science, technology, engineering and mathematics subjects, with key indicators based on research.
- c. **Centre for Science and Technology Studies** – the director-general for research at the EC has commissioned a study of bibliometric indicators by the University of Leiden, also in the Netherlands. The director-general has said that this study does not foresee a ranking but a global performance comparison between research universities.
- d. **The EC statistical database on HE** focuses on creating a dataset on topics such as demography, research budget and programmes taught. Its purpose is to inform policy makers, but the Commission has indicated that the EC would facilitate the development of an alternative European ranking.
- e. **The OECD study on learning outcomes** has a greater focus on teaching than the other studies mentioned above and is designed to inform national policy development by comparing learning outcomes across institutions and informing planning and student choice.

227. The points made by Universities UK on behalf of the HE sector mirror many of the points made in this report – the importance of reflecting the diversity of UK higher education, the principle of institutional autonomy, the importance of not increasing burden through data gathering and the risks in linking rankings to funding.

Key messages

- In higher education students will seek different kinds of information to employers; first-time entrants may look for different measures to mature students. Often decisions are based on intangible esteem indicators that relate to value and respect.
- Information tailored to users, such as Unistats, and based on their views, such as the National Student Survey (NSS), is valuable and valued. Collecting this sort of information is not cheap or easy. But the NSS has, despite criticism, become a robust indicator of student views. We could consider broadening data collection to include employers, particularly as their role in co-investing in higher education increases, and could explore whether the National Employer Skills Survey is the correct vehicle to do this.
- Increasingly, information is provided independently. Rankings and league tables are here to stay; the role of the internet is growing and may be a powerful tool in the future. Newspaper league tables do not provide an accurate picture of the higher education sector or its diversity. We do not believe the answer lies in creating more league tables;

rather HEFCE has an important role in providing robust, comparable information to aid student choice.

- There is not enough information for more mature or part-time students, who do not need to identify simply what course to do, but may require a diagnosis of learning style, an understanding of professional requirements and a match to what universities can offer. Simple performance measures will not help here; we need a sophisticated interaction with information, advice and guidance mechanisms. This is just as important for employers trying to gain information on higher level skills.
- With concerns about rankings in international league tables, there are several attempts to develop agreed, Europe-wide performance indicators that could aid student choice, particularly for international students.

Section 5: Improving our measures of performance

228. This report has mainly focused on existing measures of performance and their relationship to mission diversity. We have highlighted some gaps, and this section explores what more we could do to improve our current systems.

Representing existing data in new ways: spidergrams

229. A good start would be to find ways of presenting existing data that highlight the differences between institutions and provides insight into their strengths. For the five policy areas, we are considering summarising performance for each university or college using both graphical and numeric summaries.

230. One way to bring the different variables together would be to use spidergrams as part of these institutional summaries. Spidergrams (see examples on the following pages) are one way to present the data; another equally comprehensive picture could be presented through balanced scorecards or dashboards. The principle is the same – we agree a set of indicators, collect the data, find an accessible format for presenting the data and make the resulting information publicly available. This would allow comparison to average sectoral performance as well as for more than one performance measure to be examined at the same time. It may be possible to link this to the existing Higher Education Information Database for Institutions (HEIDI) system.

231. In addition to a graphical presentation of institutional performance, it has been suggested that some assessment of similarly performing institutions in the particular policy area would enhance the information being provided. We already have a tool for internal use that clusters similar institutions. We have carried out some initial exploratory work in this area and an example of the potential components of an institutional summary is given below.

232. The first example provides institutional information in five parts for the widening participation policy area:

- details of the components considered by the policy area, and the raw and standardised scores achieved for each component (top right)
- a standardised 'policy area score' for the individual institution in that policy area (top left: -0.27 in this case)
- the range of standardised scores observed throughout the sector in the policy area (top left: range from -2.08 to 1.74)
- a spider diagram showing the institution's (standardised) score for each component (in this example, a red triangle because there are three components), plotted in comparison to the average component scores observed throughout the sector (grey triangle). In this example, the institutional performance is very close to the mean institutional performance across the sector because both triangles are similar in shape and size to each other
- a list of the 10 'closest' institutions in terms of the smallest difference in the theme score for that indicator.

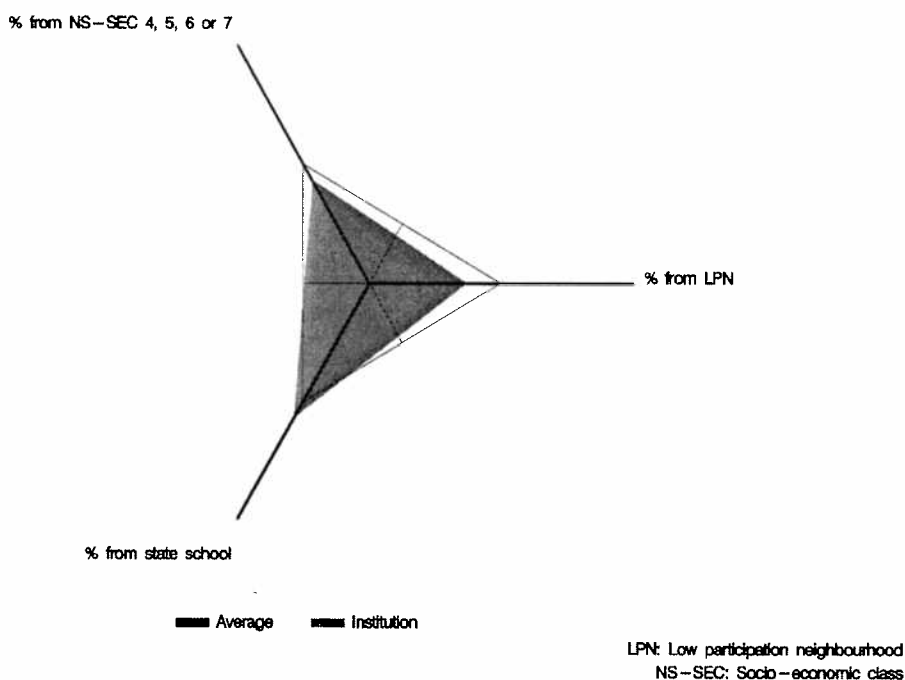
233. The second example works in the same way, but examines performance across all five of the policy areas discussed in this document.

Esteem indicators: Widening participation

Institution Name

Indicator score (standardised)	-0.27	Institution's scores		
Minimum score		Raw score	Standardised score	
		State school	94.15	0.40
		NS-SEC 4,5,6,7	28.24	-0.41
		LPN	4.52	-0.79
-2.08	1.74			

Chart to show institution's score by component



10 similar institutions with respect to indicator score

Institution name	Indicator score (standardised)
University of Liverpool	-0.27
University of Stirling	-0.27
School of Pharmacy	-0.26
Lancaster University	-0.26
University of Leicester	-0.25
Liverpool Institute for Performing Arts	-0.29
Oxford Brookes University	-0.25
Heriot-Watt University	-0.24
Robert Gordon University	-0.24
Leeds College of Music	-0.31

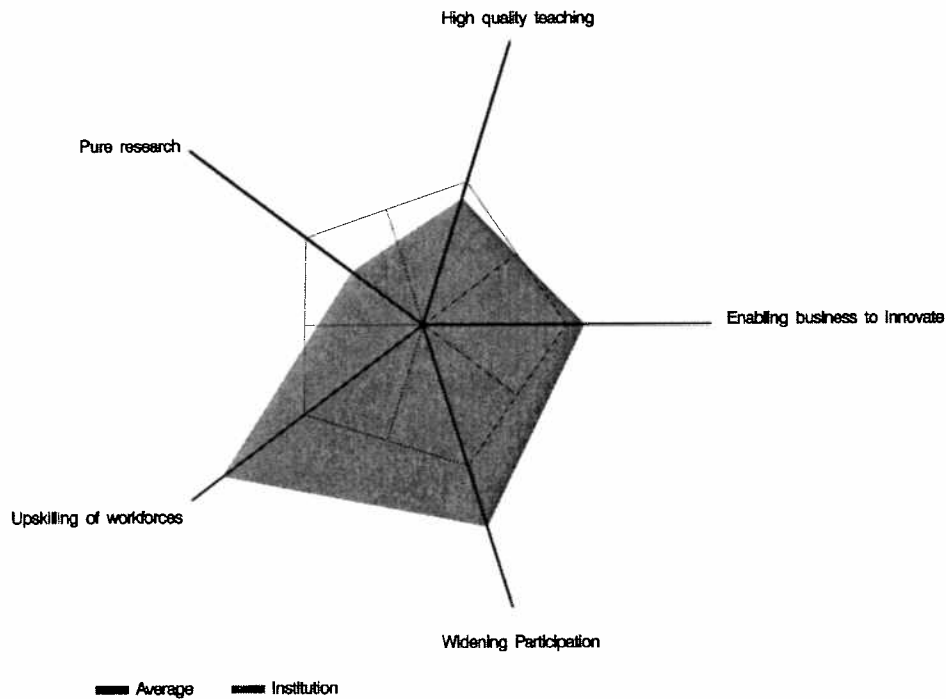
HEFCE 2008 Esteem Indicators Institution Name

Esteem indicators: Institutional overview

Institution name

Overall score (standardised)	0.47	Institution's scores	
Minimum score	Maximum score		Standardised score
-1.70	0.77	Widening Participation	1.30
		High quality teaching	-0.33
		Pure research	-1.17
		Enabling business	0.36
		Upskilling workforce	2.18

Chart to show institution's score by policy area



10 similar institutions

institution name	Overall score (standardised)
University of Wales, Newport	0.48
University of Derby	0.48
University of Bolton	0.45
University of Lincoln	0.45
Edge Hill University	0.44
Liverpool John Moores University	0.42
Norwich School of Art & Design	0.40
University of Bradford	0.36
University of Greenwich	0.36
BCU	0.36

HEFCE 2008 Esteem indicators Institution name

234. In consultation with the sector, we could develop these ideas further and discuss an appropriate way of displaying this data. This could include a web-based tool that allows the user to drill down to further detail, make a sub-selection of components when assessing one of the five policy areas or examine the overall performance of an institution across all five policy areas in a single summary.

235. The advantage of this approach is that it would mean moving away from static, hierarchical league tables to produce a flexible data source that can help institutions model how they perform against the measures that are most closely related to their mission. The credibility of this web-based information would be enhanced by ensuring it was easily accessible and seen as independent and objective.

Including further education colleges' measures

236. We have many measures for performance in HEIs, but do not collect the same for further education colleges. We do have data on student recruitment through the Higher Education in Further Education Student Survey which includes information relating to widening participation. We do not hold financial indicators; however, the Learning and Skills Council (LSC) and Ofsted collect comparable data and we could explore the complementarities of these data sets so that we could incorporate colleges more fully in our performance indicators. Annex C contains a list of data currently collected and reported on further education college performance.

237. We are working with the LSC on the Framework for Excellence. This provides an extensive set of metrics that the LSC uses to assess further education providers. We have agreed that we will rely on the Framework for Excellence for our assurance system, rather than recreate or add further data collection.

238. We do not expect further education colleges to operate across the spectrum of the five policy areas outlined in this report. We would suggest that colleges already have a clear mission focus on teaching, widening participation and workforce development in relation to higher education. If the purpose of any new data collection exercise was to help institutions focus on their strengths, then arguably colleges are doing this already. There may be value though in quantifying the contribution colleges make to these policy aims through performance measures and we will explore this further in the context of the Framework for Excellence with the LSC.

Value-added measures

239. In Section 2, we noted that value-added measures would provide a much better understanding of the impact that an institution has in delivering a policy area. The argument for added-value measures is often made in relation to teaching: we know the input measures relating to qualifications and we know output measures through employment statistics and degree classification. It is hardly surprising that if you input high-achieving students, they are likely to gain good degrees and jobs at the end of their degree. This says little, however, about the educational distance travelled by a student, and therefore the value added by teaching, student support and learning approaches. A value-added measure would highlight the success of institutions that take students beyond the expectations associated with prior

qualifications through dedicated support and innovative pedagogic practice so that the student is empowered to succeed.

240. However, there are a number of difficulties in producing value-added measures:

- a. Value has many dimensions. No college or university is trying to develop one single capability in their students, but rather an array of capabilities. Value-added measurements would need to address these different dimensions.
- b. Institutions are different. Colleges and universities do not all seek to add the same kind of value to students' development. We would need to assess value added against a university or college's chosen aspirations and mission. To do this could be very fiddly and we would need to consider the cost benefit. The point at which the complexity outweighed the public use of a value-added measure would be the point at which it would be hard to justify.
- c. We do not necessarily know the value added by an institution to a student on graduation – employment three or five years after graduation may be a better indicator. This is equally true of knowledge transfer activity and its longer-term impact on business performance or regional development.

241. Devising value-added measures would be complex. A recent OECD paper²⁸ discusses the Australian experience of attempting to measure value added in higher education; experience from further education and schools may also help us in this task. One outcome of this report could be to consult further with stakeholders and collect evidence from previous work in this area so that we can draw conclusions on what might, or might not be possible.

Emerging policy priorities

242. Although we were asked by the Secretary of State to minimise any collection of new data, there are areas where we do not yet have a full picture of institutional performance. As identified in Section 2, workforce development is a relatively new area of work where we are still defining impact and success to agree a set of measures that accurately reflect the Leitch policy objectives.

243. Compiling this report has been useful in identifying the range of performance data we currently collect. There is much good practice and experience in the Council that colleagues can draw upon in considering how we will measure the impact of workforce development activities so that we gain maximum benefit for minimum additional burden on the sector. More generally there is a question on how we build esteem and recognition for those institutions that have taken the biggest risks and are proving most successful at delivering against Leitch targets.

244. The other gap we identified in Section 2 was for measures to identify the contribution to social, community and cultural engagement-type activity that can quantify the public value of higher education. We plan further work in this area, drawing on our own project work and the work of the Beacons of Public Engagement.

Enhanced user information

245. In Section 4, we discussed the range of information available to users. School leavers already have plenty of information of varying levels of objectivity and comparability to help

them make choices. At one end of the spectrum, Unistats provides easy-to-compare performance indicators down to subject level; at the other, there are subjective and anecdotal advice through social networking web-sites and suggestions from parents, friends and other people.

246. For those students who do not come through a traditional route or wish to return to higher education, the information sources are less clear. In many cases, choice of institution is constrained by location and type of course available; online prospectus details and marketing can be sufficient guidance, but may not help potential students select between institutions to get the best fit for their learning needs.

247. We know from feedback that some employers find negotiating the range of higher education providers difficult and it can be more a case of luck rather than judgement that ensures the education provided meets their needs.

248. It may be valuable to explore with these user groups what information they would find useful and the best way to present this so that it is accessible and guides them in making decisions. Currently we leave this to institutions through their individual marketing, but given the growing importance of higher education within the workforce we may wish to consider parallel sources of information to Unistats, aimed at mature students, employers and brokers of information, advice and guidance.

Section 6: Summary conclusions and recommendations

249. In this final section we draw together the key messages from earlier in the report to make a number of conclusions. Some relate to HEFCE's approach to performance measurement and others to the potential use of performance measurement to support institutional diversity.

250. Our overall position is that we have many years' experience in devising and using performance measures, but more could be done with the existing data to enhance our understanding of performance. We recognise the drawbacks of measures and would not wish to create new ones lightly; however as policy changes so must our systems and types of measure.

251. Illustrating mission differentiation is another issue again because university and college activities are wider than simply the five areas identified by the Secretary of State, or indeed HEFCE funding. If we are to capture the multi-dimensional nature of university and college activity to reflect diversity then we need to consider how to do this so that it is owned jointly with the sector.

HEFCE's approach to performance measurement

252. HEFCE already promotes performance measurement through assessment and funding processes, published performance indicators, the promotion of performance management within institutions and its support for a range of data sources described throughout this report. This activity sits alongside newspaper league tables and institutions' own systems. However, this activity has grown over time and is often viewed in policy silos rather than holistically as a way to highlight an institution's performance or relative strengths. The spidergrams and drill-down data source identified in Section 5 could creatively draw this information together.

253. We do not want to create more performance measures unnecessarily, but this would allow us to use what we have already in smarter ways.

Recommendation: In consultation with the sector, HEFCE should develop the spidergram concept. This could include a web-based tool that allows the user to drill down to further detail and make a sub-selection of components when assessing one of the five policy areas, or to create a single summary of the overall performance of the institution across all five policy areas.

Value-added measures

254. One issue highlighted throughout this report is the limitation of our current measures in their focus on input and output data. We also noted in Section 3 that institutional culture and mission generally reflect historical tradition so, even if an institution were to invest significant strategic capacity in mission specialism, we have limited measures to identify and recognise the value added by this investment.

255. In Section 5, we outlined how value-added measures may help us to understand more about institutional impact. We also explored the difficulty in producing such measures.

Recommendation: In consultation with stakeholders, HEFCE should collect evidence from previous work on value-added measures so that we can draw conclusions on what might, or might not be possible.

A code of practice for using measurements and data

256. Throughout this report we make a number of observations about how measures should ideally be used. These include:

- a. The use of performance measures should acknowledge that the costs and distortions tend to increase over time while the benefits diminish. Measures should be reviewed at regular intervals to ensure that they have not become counter-productive.
- b. Where it is possible to anticipate possible perverse incentives created by a new measure, 'early warning' systems should be developed that will pick up distorted patterns of activity.
- c. It is healthy for individual universities and colleges to take different approaches to performance measurement. HEFCE policy should encourage diverse management approaches to the problem of understanding performance.

Recommendation: A code of practice for the use of performance and funding measures should be developed, incorporating the observations made in paragraphs 62 to 83.

Capturing the full range of data

257. Section 1 also discussed the risks associated with target-setting. Measures do have the potential to increase diversity by creating incentives for institutions to specialise in activities or outcomes that are currently unrewarded. However, as we know from other areas of public policy, targets skew activity so that institutions focus on the aspects of those activities and outcomes which are reflected in the measure. More generally, the use of targets or measures to drive diversity may have the unintended effect of institutions focusing on narrower and therefore less diverse interpretation of new agendas.

258. We will be considering new measures in relation to workforce development and social, community and cultural engagement, and will be mindful of these risks. We also recognise that we do not have comparable data for further education colleges.

Recommendation: In considering new measures, HEFCE should use its sector impact assessment process to review possible unintended consequences and ensure measures capture the full range of benefits we want to encourage.

Performance measurement in support of institutional diversity

259. Section 3 identified a variety of other elements that are important to individual institutions' missions including: regional, cultural and civic engagement; sustainability; diversity; and internationalisation. By limiting our thinking to the five policy areas identified by

the Secretary of State, we potentially limit institutions' contributions to their students and wider community.

260. Recognition of different institutional missions and the value to students, economy and society of a diverse system of higher education may go some way towards establishing parity of esteem. But this is not quick or easy nor, as discussed in Section 4, is it helped by assertions in the media that such diversity reflects declining standards. The way in which we recognise institutional missions and value diversity is something that we could usefully explore with the sector, particularly how we move on some of the more outdated perceptions and reflect the contribution of today's higher education sector. We have an opportunity here to introduce new, innovative ways of building public understanding of contemporary HE, so that it reflects the complex interplay between Government funding and mission, and we would like to explore this notion further with the sector.

Recommendation: HEFCE should develop, with the sector, a way to recognise and capture the diverse nature of university and college missions, and ways to communicate these more widely to lift esteem and profile across the sector.

Better data for students and employers

261. In Section 4, we discussed the importance of information for users of higher education. We want potential students and employers to make the best possible choices when they invest in higher education. Choices that enable them to change careers or meet their aspirations need to be based on good information and realistic expectations; information should be robust and credible; its source perceived as objective, reliable and devoid of 'spin' and presented in a way that users can easily navigate. We have made a start through the National Student Survey and Unistats, but more could be done to guide mature learners and employers in their choices.

Recommendation: HEFCE should work with user groups – particularly mature students and employers – to define what other information might be needed and to develop appropriate communication channels and diagnostic tools to help in their decision making process.

Continuing the debate

262. One conclusion that could be drawn from this report is that driving diversity and distinctiveness might not best be done through performance measures. We would argue that a combination of block grant and light-touch policy mechanisms are key to mission diversity because these provide clarity on Government policy priorities, yet freedom for interpretation by governors and senior managers within the context and culture of an institution. We already have a performance-driven funding system; diversity of mission is a by-product, not its *raison d'être*.

Recommendation: HEFCE should discuss with stakeholders a reasonable and realistic role for performance measures, given that there are various ways to recognise and reward diversity. We too hope that this is the start of a debate in the sector.

263. Because this is only one of a number of reports requested by the Secretary of State, we may wish to revisit the conclusions in the light of the other inputs from individuals and organisations. There may be longer-term implications from the other reports and policy developments arising from them which will change how we view the issues discussed here. This report focuses on the position today; to support a framework for development for the next 10 to 15 years will require different approaches that will only become clear as the framework emerges.

Annex A: The request from the Secretary of State

The Rt Hon John Denham MP

Secretary of State for Innovation,
Universities and Skills



Professor David Eastwood
Chief Executive
HEFCE
Northavon House
Coldharbour Lane
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BS16 1QD

A handwritten signature in blue ink, appearing to read 'John Denham'.

13 March 2008

UNDERSTANDING INSTITUTIONAL PERFORMANCE

Following my speech at the Wellcome Trust on 29 February, I would welcome your advice on an issue of considerable strategic importance to DIUS.

Measuring institutional performance and doing so in such a way as to recognise the individual missions of each institution is essential for the future of higher education.

I would be grateful for your considered advice on how we can best develop our understanding of institutions' performance in different dimensions. In particular I would like you to:

- Examine possible performance measures of quality in each of the areas identified in the grant letter – pure research, enabling businesses to innovate, high quality teaching, upskilling of workforces and widening participation
- Consider how such measures could take account of the different missions of individual institutions
- Minimise any requirements to collect new data in developing such measures
- Advise on any other matters which are, in the view of the Council, relevant to the assessment of performance

I would welcome your initial thoughts by the end of May, when I would like to meet with you to discuss progress and emerging issues. I hope that you can then deliver your considered views by September. That timetable will enable me to take full account as I develop the future agenda for the Department.

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www.dius.gov.uk

I am at the same time asking a number of other individuals and organisations to review other important policy questions within the HE sector, and I am publishing all the relevant commissioning letters on the DIUS website.

A handwritten signature in black ink, appearing to read 'John Denham', with a stylized flourish at the end.

JOHN DENHAM

Annex B: Measures used by HEFCE

Research

Research Assessment Exercise

1. The Research Assessment Exercise (RAE) assesses the quality of research in universities and colleges in the UK. It takes place every four to five years and we are in the midst of the 2008 assessment process. Its primary purpose is to enable the UK funding bodies to distribute research funding selectively, ensuring that institutions that conduct the best research receive a larger proportion of the available grant so that the infrastructure for the top level of research in the UK is protected and developed. Around £6 billion of research funds will be distributed in response to the results of the 2001 RAE.
2. The RAE provides quality ratings for research across all disciplines. Based on peer review, panels use a standard scale to award a rating for each submission. Ratings range from 1 to 5*, according to how much of the work is judged to reach national or international levels of excellence. The outcomes of the 2001 RAE are available on the Higher Education and Research Opportunities web-site: www.hero.ac.uk/rae/Pubs/4_01
3. This information has a much wider value than its immediate purpose. For example, it has proved helpful in guiding funding decisions in industry and commerce, charities and other organisations that sponsor research. It also gives an indication of the relative quality and standing of UK academic research.
4. Research assessment post-2008 will operate differently, and proposals are currently being developed. Further information on these developments can be found on the HEFCE web-site.

Quality-related funding

5. Quality-related (QR) allocations explicitly link funding and performance. We use a variety of measures to establish the volume of research activity in research groups at higher education institutions. These measures are linked to ratings of quality, determined by the RAE. The results are used in our research funding formula to determine the amount of grant in relation to each research group. We then add up the research group funding for each institution to produce a total QR grant, which is announced as part of our recurrent grant.
6. Most QR is allocated on the basis of five volume measures, but in addition we use two other measures that relate to particular policy priorities:
 - research income from UK industry, commerce and public corporations to determine business-related QR
 - project and capped capital income from eligible UK and overseas charities to determine charity support funding
7. We also operate a support stream for research degree programmes as an element within QR. Allocations from this funding stream are made by reference to numbers of home and EC postgraduate research students registered in units rated 4 or above at the 2001 RAE and reported to us in the Research Activity Survey.

8. We also publish reports on performance in the sector. For example 'Research degree qualification rates' (HEFCE 2007/29) supports institutions and the quality assurance agency in discussions about the quality of supervision of research degree programmes.

Performance indicators

9. There are currently four institutional performance indicators published by the Higher Education Statistics Agency (HESA) that relate to research. These are:

- the proportion of PhDs awarded per proportion of academic staff costs
- the proportion of PhDs awarded per proportion of funding council quality-related (QR) funding allocation for research
- the proportion of research grants and contracts obtained per proportion of academic staff costs
- the proportion of research grants and contracts obtained per proportion of funding council QR funding allocation for research.

10. More information on research performance indicators and those discussed below for widening participation and learning and teaching can be found on the HESA web-site: www.hesa.ac.uk/index.php/content/view/1166/141/

Research Activity Survey

11. The Research Activity Survey is an annual exercise designed to inform research funding. It asks higher education institutions (HEIs) to update data on fundable research students who are eligible to pay home and EC fees. These data inform the distribution of the Research Degree Programme supervision funding. The survey also asks institutions to provide information on research income from charities to inform the charity support element of QR funds.

Enabling business to innovate

Higher Education – Business and Community Interaction survey

12. This is the main data collection and dissemination mechanism on knowledge exchange and is in its seventh year. The Higher Education – Business and Community Interaction (HEBCI) survey covers a range of activities, from the commercialisation of new knowledge, through the delivery of professional training, consultancy and services, to activities intended to have direct social benefits. 'Business' in this context refers to public and private sector partners of all sizes and sectors, with which HEIs have a broad spectrum of interactions. 'Community' is taken to mean society as a whole outside the HEI, including all social, civic and cultural organisations and individuals.

13. The report also provides an in-depth commentary on the extent of and trends in knowledge exchange, culture, capacity and activity in the UK. More information can be found in the publication on the results of the 2007-08 survey, HEFCE 2008/22.

Higher Education Innovation Fund

14. Funding under the fourth round of the Higher Education Innovation Fund (HEIF 4) is designed to support and develop a broad range of knowledge transfer activities which result in economic and social benefit to the UK. The fund builds capacity and provides incentives for HEIs to work with business, public-sector bodies and third-sector partners, with a view to transferring knowledge and thereby improving products, goods and services.

15. The allocation of HEIF is driven by a bundle of metrics, derived from the HEBCI survey and HESA. There are two components: 40 per cent is allocated with a focus on capacity-building and HEIs' potential and is based on full-time equivalent academic staff numbers recorded in HESA. The remaining 60 per cent is allocated on the basis of performance, using various measures of income from business and non-commercial sources as a proxy for the value placed on HEIs' activities by users of knowledge in the wider economy and society. Income from small and medium-sized enterprises is double-weighted within this component.

16. More information can be found in 'Higher Education Innovation Fund round 4: invitation and guidance for institutional strategies' (HEFCE 2008/02).

High-quality teaching

National Student Survey

17. The National Student Survey (NSS) has been our most ambitious attempt to capture user opinions to inform student and employer choices and is an annual survey of student opinions.

18. It is targeted mostly at final-year undergraduates in England, Wales, Northern Ireland and participating HEIs in Scotland. In addition, from 2008 many final-year higher education students studying at further education colleges in England will be eligible to participate.

19. The survey provides students with an opportunity to make their opinions on their higher education student experience count at a national level. The results are analysed and used to compile a year on year comparison of data that:

- helps prospective students make informed choices of where and what to study
- enables the participating institutions to identify and improve in areas where they may have let their students down.

20. The NSS is now in its fourth year and the 2008 results will be published on the Unistats web-site.

Unistats

21. The Unistats web-site (www.unistats.com) collects together information from a number of sources including the NSS, UCAS, the Destination of Leavers from Higher Education survey and HESA. It aims to assist prospective students in making informed decisions about what and where to study. The web-site, designed in conjunction with UCAS, is easy to navigate and the 2007 site allows users to:

- compare UCAS points and other information for different subjects at different institutions

- find out the achievements of recent students and discover what types of jobs they are doing six months after completing their higher education course
- read what over 187, 900 students felt about the quality of their higher education experience.

Teaching funding

22. Our teaching funding method is based on the use of formulae to determine how most of the funding is allocated between institutions. This process takes account of certain factors for each institution, including the number and type of students, the subjects taught and the amount and quality of research undertaken there. Once we determine the amount of funding for each institution, it is provided in the form of a 'block grant' which institutions are free to spend according to their own priorities within our broad guidelines. We do not expect institutions to model their internal allocations on our own funding method. The constraints that our main funding methods impose on institutions are generally in terms of delivery of overall teaching and research activity.

23. The main principles underpinning the funding method for research are unchanged since its introduction in 1997-98, but each year there are changes to some of the parameters and finer detail of the method. For 2007-08 these include the establishment of a business research element within quality-related research funding.

24. From 2008-09, we will be introducing a system of targeted allocations. These are streams of funding designed to support important or vulnerable features of higher education, in accordance with key policy initiatives. This means that changes in student profile will have a much more direct and immediate effect upon grant levels. The new system will also make it easier for institutions to determine how much of their grant is associated with a particular targeted allocation. We are introducing three variable targeted allocations which will track student numbers and the success of an institution in delivering particular policy priorities:

- part-time
- foundation degree
- accelerated and intensive provision.

25. From 2009-10 we are making further changes to recognise flexible study patterns. We will use HESA data to count, for funding purposes, the modules completed by students that complete less than their initial study intentions for the year. We will continue to monitor and benchmark retention rates through the higher education performance indicators, and will review whether the flexible study measure has a negative impact on retention. For further information please see:

- 'Funding higher education in England: how HEFCE allocates its funds' (HEFCE [2007/20](#))
- 'Review of the teaching funding method: outcomes of second consultation on changes to the method from 2008-09' (HEFCE [2007/23](#))
- 'Future support for teaching enhancement and widening participation: consultation on changes to the teaching funding method' (HEFCE [2008/28](#))

Performance indicators

26. The HESA performance indicators also cover teaching information. There are a number of tables that look at non-continuation rates for students at an institution, including students who start in a particular year, to look at whether they are still in higher education one year later and projected outcomes over a longer period. There is also a performance indicator relating to module completion rates.

Quality assurance

27. The quality assurance process, led by the Quality Assurance Agency (QAA) for Higher Education, is a complete measurement system designed to monitor the quality and standards of higher education providers. For further information on the Quality Assurance Framework and the work of the QAA, please refer to its web-site: www.qaa.ac.uk

Widening participation

Young participation area classification (POLAR2)

28. POLAR2 is based on the higher education participation rates of people who were aged 18 between 2000 and 2004 and entered a higher education course in a UK HEI or further education college, aged 18 or 19, between academic years 2000-01 and 2005-06. It draws on data provided by HESA, the Learning and Skills Council, UCAS, the other UK funding bodies and HM Revenue and Customs. It updates the original POLAR data published in 2002.

29. The POLAR2 classification is formed by ranking 2001 Census Area Statistics wards by their young participation rates for the combined 2000-2004 cohorts. This gives five quintile groups of areas ordered from 1 (those wards with the lowest participation) to 5 (those wards with the highest participation), each representing 20 per cent of the UK young cohort. More information can be found on our web-site (www.hefce.ac.uk/widen/polar/polar2) and in the publication 'Young participation in higher education' (HEFCE 2005/03).

Performance indicators

30. Each year HESA publishes performance indicators for widening participation. There are three benchmark indicators:

- access to higher education (how successful institutions are in recruiting students from under-represented areas and backgrounds)
- the proportion of students who do not continue beyond the first year at an institution
- projected completion rates based on current movement of students between years of study.

These tell us how students are distributed across the sector and how institutions perform compared to each other.

Widening access for students from disadvantaged backgrounds

31. This allocation is intended to meet some of the additional costs incurred by institutions for outreach activity to raise aspirations and attainment among potential students from under-

represented groups. The funding method for widening access applies a weight to undergraduate new entrants according to:

- young higher education participation by ward for full-time undergraduates under 21 on entry, or
- the proportion of 16 to 74 year-olds with a higher education qualification by ward for part-time and mature undergraduates.

A detailed description of the widening access allocation method is available on our web-site (www.hefce.ac.uk/widen/fund/postcode.htm).

Participation rates in higher education: academic years 1999-2000 to 2006-07

32. This DIUS statistical publication provides data on the Higher Education Initial Participation Rate in the UK. It includes analysis of initial participation by gender and age. More details can be found at www.dcsf.gov.uk/rsgateway/DB/SFR/s000780/sfrdius02-2008.pdf

Full-time Young Participation by Socio-Economic Class

33. The Full-Time Young Participation by Socio-Economic Class (FYPSEC) measure was introduced in 2007 and shows the proportion of young people from the top three and bottom four socio-economic classes who participate for the first time in full-time higher education, together with the difference (or 'gap') between these two participation rates. More details can be found at www.dius.gov.uk/research/documents/FYPSEC%20paper%202008.pdf

Creating a high-quality workforce

Higher Education – Business and Community Interaction survey

34. The HEBCI survey also provides data that relates to workforce development, including income derived by institutions from continuing professional development, work with Sector Skills Councils and use of Labour Market Intelligence. We do not currently use this to drive funding, but do use the information to help shape and monitor policy development.

Destination of Leavers from Higher Education survey

35. The Destinations of Leavers from Higher Education (DLHE) statistics include data for the UK, as well as for England, Scotland, Wales and Northern Ireland separately, and show the first destinations of higher education graduates six months after graduation (the number in employment, further study or unemployed). The report is produced by HESA in collaboration with statisticians from DIUS and the UK funding councils. More details can be found at www.statistics.gov.uk/StatBase/Source.asp?vlnk=358

36. We also include the DLHE data on Unistats as it provides useful information for students on employment after graduation including where graduates from particular institutions are employed.

Longitudinal DLHE

37. In 2006 we also introduced the Longitudinal DLHE survey which captures information on graduate outcomes three to three-and-a-half years after graduation. This is a sample

survey, currently undertaken periodically. More information is available from the HESA web-site (www.hesa.ac.uk/index.php/content/view/112/154).

National Employer Skills Survey

38. The National Employer Skills Survey 2007 provides detailed information on the incidence, extent and nature of skills problems facing employers, in terms of both recruitment and skill gaps within their existing workforce. It also explores employers' activities and expenditure in relation to training.

39. The survey is the largest of its kind and is co-ordinated by the Learning and Skills Council. It provides information a range of issues, including the demand for higher-level skills and employer satisfaction with graduate recruits. For more information see <http://readingroom.lsc.gov.uk/lsc/National/nat-nessurvey2007keyfindings-may08.pdf>

Labour Force Survey

40. The Labour Force Survey is a quarterly sample survey of households living at private addresses. Its purpose is to provide information on the UK labour market that can then be used to develop, manage, evaluate and report on labour market policies. This survey is used to measure the Public Service Agreement target related to educational achievement of the workforce. For more information see www.statistics.gov.uk/StatBase/Source.asp?vlnk=358

Co-funded additional student numbers

41. We will be monitoring the recruitment of co-funded additional student numbers to help in the development of this emerging policy area. We will be seeking to understand the characteristics of those employers who are providing co-funding so that we can advise Government and HEFCE policy on future funding models.

Other policy areas

42. We publish a variety of benchmarking data relating to other HEFCE priorities. For example:

- 'Staff employed at HEFCE-funded HEIs: update' (HEFCE [2007/36](#))
- 'Regional profiles of higher education 2007' (HEFCE [2007/18](#))
- 'Performance in higher education estates: EMS annual report 2006' (HEFCE [2007/08](#)).

Annex C: Data currently collected and reported on further education colleges' performance

Ofsted inspection reports include judgements on:

- effectiveness of provision
- capacity to improve
- achievement and standards
- quality of provision
- leadership and management.

Ofsted Annual Assessment Visit report on:

- achievement and standards
- quality of education and training
- leadership and management.

Data/reports held on Learning and Skills Council (LSC) Provider Gateway include:

- college self-assessment reports
- college performance reports (further education)
- provider performance reports (work based learning).

LSC Framework for Excellence

Overall provider responsiveness judgement based on collection of information/data against the following set of measures:

- responsiveness to learners
- learner views
- learner destinations
- responsiveness to employers
- employer satisfaction
- new standard accreditation
- quality of outcomes
- quality of provision
- financial health
- financial control.

LSC Training Quality Standard

Measures which result in report and scores include:

- strategy for working with employers

- managing people
- managing resources
- managing information
- managing relationships
- achieving results
- employer satisfaction.

National Student Survey (HE) published results

Measures include:

- Participation
- Satisfaction

Annex D: Mission groups

These extracts have been taken from the web-sites of the various mission groups and are the public communication of their aspirations.

The Russell Group

The Russell Group is an association of 20 major research-intensive universities of the UK. Russell Group Universities together are committed to the development of a UK higher education sector in which:

- teaching of the highest quality takes place in institutions which are at the forefront internationally in their respective subjects, inspiring the brightest undergraduates and training the best postgraduate and postdoctoral workers to create the next generation of innovators and leaders
- leading universities have the capacity to maintain and develop through their strategic planning processes, research teams, research facilities and scholarly resources capable of matching the very best competition internationally
- research resources in the UK are directed to wherever particular research work can be best undertaken to the highest international standards
- there is the opportunity for an increasing independence from state regulation and funding
- the leading universities act as the focus for best practice in the dissemination and application of cutting-edge research, including the commercialisation of research ideas and innovations
- the leading universities take a central role in the development of UK higher education policy and development, through commissioning research and public policy analysis of the very highest quality.

www.russellgroup.ac.uk

1994 Group

The 1994 Group was established in 1994 to promote excellence in research and teaching, to enhance student and staff experience within our universities and to set the agenda for higher education.

The group brings together 19 internationally renowned, research-intensive universities, providing a central vehicle to help members promote their common interests in higher education, respond efficiently to key policy issues and share best methods and practice. Each member undertakes diverse and high-quality research, while ensuring excellent levels of teaching and student experience.

www.1994group.ac.uk

Million Plus

Million Plus represents 28 universities and used to be known as the Coalition of Modern Universities. Its students and graduates are entrepreneurs, businesspeople, artists, scientists, engineers, teachers and the health and care professionals who are building a modern world.

Member institutions pride themselves on diversity, flexibility and opportunity: each has its own specialities, qualities and principles, but together they provide a network of institutions that promote aspiration, excellence and innovation. Half of the UK's higher education students study at their institutions each year. Three million more have achieved graduate qualifications through their universities.

They lead on curriculum design, innovation and research which respond to the needs of business, the public sector and modern life, and they meet the challenges of our changing society, offering the flexibility and support that are necessary to broaden participation and add value to the economy.

www.millionplus.ac.uk

The University Alliance

The University Alliance previously convened informally as the Alliance of Non-Aligned Universities, was formed in 2006 comprising a mixture of 23 pre- and post-1992 universities. The member institutions have a balanced portfolio of research, teaching, enterprise and innovation integral to their missions and represent a strong voice from the middle sector making a vital contribution to the prosperity of the country.

www.university-alliance.ac.uk

GuildHE

With principals and vice-chancellors as its members, GuildHE is made up of the leaders of a diverse set of institutions including newer universities, university colleges, higher education colleges, further education colleges, trusts and private colleges.

Many of these educational providers specialise in a particular subject area or linked group of subjects. They include noteworthy providers in art and design, health, land-based studies, music and the performing arts, sport and teacher education.

They are all quite different from each other but with common bonds and have a core set of common features. They embody communities of practice with a clear commitment to high-quality teaching enriched by research and knowledge exchange.

www.guildhe.ac.uk

The Mixed Economy Group

The Mixed Economy Group is a group of 18 further education colleges across England that offer higher education courses. These institutions account for about half of all higher education delivered in further education. Membership is restricted to organisations delivering more than 500 full-time equivalent HEFCE-funded students.

Glossary

CMI	Cambridge-MIT Institute – (Cambridge University-Massachusetts Institute of Technology partnership)
CPD	Continuing professional development
CUC	Committee of University Chairmen
EMS	Estate Management Statistics
ESRC	Economic and Social Research Council
European Science Foundation	An organisation intended to promote scientific research in Europe through conferences, communication and the funding of research programmes
EC	European Commission
EU	European Union
DLHE	Destination of Leavers from Higher Education
DIUS	Department for Innovation, Universities and Skills
GVA	Gross value added
FE	Further education
FEC	Further education college
HE	Higher education
HEA	Higher Education Academy
HEBCI	Higher Education – Business and Community Interaction (survey)
HEFCE	Higher Education Funding Council for England
HEI	Higher education institute
HEIDI	Higher Education Information Database for Institutions
HEIF	Higher Education Innovation Fund
HESA	Higher Education Statistics Agency
ICR	Institute of Cancer Research
IQER	Integrated Quality and Enhancement Review
KPI	Key performance indicator
LFS	Labour Force Survey
LSC	Learning and Skills Council
NESS	National Employer Skills Survey
NSS	National Student Survey

OECD	Organisation for Economic Co-operation and Development
OFFA	Office for Fair Access
PISG	Performance Indicator Steering Group
PSA	Public Service Agreement
QAA	Quality Assurance Agency
QAF	Quality Assurance Framework
QR	Quality-related research
RAE	Research Assessment Exercise
RCUK	Research Councils UK
REF	Research Excellence Framework
SFC	Scottish Funding Council
TQI	Teaching Quality Information
KTO	Knowledge transfer office
Unistats	Web-site of teaching quality information aimed at students: www.unistats.ac.uk

References

- ¹ Estates Management Statistics: www.opdems.ac.uk
- ² The Higher Level Skills Pathfinder evaluation will be published on our web-site in September 2008.
- ³ Details of the strategic objectives of each institution are available on from their web-sites: www.dur.ac.uk/about/mission (Durham) and www.tees.ac.uk/sections/about/mission.cfm (Teesside)
- ⁴ 'CUC Report on the Monitoring of Institutional Performance and the Use of Key Performance Indicators' (November 2006): www.shef.ac.uk/cuc/pubs/KPI_Booklet.pdf
- ⁵ 'Information on quality and standards of teaching and learning – proposals for consultation' (HEFCE 01/66).
- ⁶ Times Higher Education, 17 July 2008, 'LSE puts £2m in teaching to grant parity with research'.
- ⁷ The Quality Assurance Agency (QAA) uses the same description when discussing qualification descriptors for postgraduate researchers and gives examples of what that might mean for PhDs in particular subjects. The Research Councils have not published a single definition of quality although their assessors of grant applications are asked to consider the 'novelty and originality of the application'.
- ⁸ PSA targets can be found on the Treasury web-site: www.hm-treasury.gov.uk/pbr_csr/psa/pbr_crs07_psagrowth.cfm
- ⁹ 'Research Excellence Framework: consultation on the assessment and funding of higher education research post-2008' (HEFCE 2007/34)
- ¹⁰ Early work to benchmark performance in third-stream activity and to consider how it related to regional engagement was undertaken by Curds/Tartan Technology in 2001. 'Evaluating the regional contribution of an HEI – a benchmarking approach' (HEFCE 02/23).
- ¹¹ Knowledge transfer bodies such as the University Companies Association (UNICO) and the Association of European Science and Technology Transfer Professionals (ASTP).
- ¹² For example the UNICO survey.
- ¹³ For example PREST at Manchester, SPRU at Sussex, CMI and CBR/PACEC at Cambridge and specialist consultancies.
- ¹⁴ 'The race to the top: a review of Government's science and innovation policies' (2007): www.hm-treasury.gov.uk/media/5/E/sainsbury_review051007.pdf
- ¹⁵ Public and Corporate Economic Consultants: www.pacec.co.uk
- ¹⁶ 'Prosperity for all in a global economy: world-class skills' (2006): www.hm-treasury.gov.uk/independent_reviews/leitch_review/review_leitch_index.cfm
- ¹⁷ These include collaborative provision audits, to supplement institutional audits, for those HEIs with large or complex provision.
- ¹⁸ The Europe Unit provides more information on the Bologna Process and how it relates to English higher education: www.europeunit.ac.uk/bologna_process/index.cfm
- ¹⁹ On the basis of Paula Sturridge's analysis of the NSS results (www.hefce.ac.uk/pubs/rdreports/2008/rd12_08), the HEA is supporting HEIs to interpret and use this data

effectively. It is also looking at how student feedback can be used to inform policy and practice:

www.heacademy.ac.uk/ourwork/research/surveys/nss

²⁰ 'Review of performance indicators: outcomes and decisions' (HEFCE 2007/14)

²¹ Lambert Review of Business-University Collaboration: www.hm-treasury.gov.uk/consultations_and_legislation/lambert/consult_lambert_index.cfm

²² The Council for Industry and Higher Education: www.cihe-uk.com

²³ 'Known unknowns: the demand for higher-level skills', the Centre for Enterprise: www.cfe.org.uk/page.php?p=91

²⁴ The HEFCE web-site has various good practice guides and useful links.

²⁵ 'CUC Report on the implementation of Key Performance Indicators: case study experience': www.shef.ac.uk/cuc/pubs/CUC_Report.pdf

²⁶ Northumbria University's strategic aims can be found on their web-site: www.northumbria.ac.uk/vc

²⁷ Higher Education Information Database for Institutions: <https://heidi.hesa.ac.uk>

²⁸ 'What's the difference? A model for measuring the value added by higher education', Dr Hamish Coates, Principal Research Fellow, Australian Council for Educational Research, Australia.

