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ABSTRACT

This paper discusses activity analysis and the identification of options as the first two stages of a structured approach to achieving budget savings at postsecondary institutions, focusing on schools and practices in the United Kingdom. It presents five checklists of opportunities for reducing spending and controlling costs. The checklists cover: (1) management staff costs; (2) other staff costs (including staff changes, resignations and dismissals, new appointments, and contractual changes); (3) capital assets costs; (4) non-staff recurrent costs (including security, insurance, utilities, catering services, professional services, finance and contract management, purchasing, examinations and validation, publicity and marketing, staff development, expense accounts, and hospitality); and (5) costing and pricing. The paper concludes that postsecondary institutions can eliminate waste and better utilize their limited resources through an analysis of their activities that focuses on the identification of possible budget savings. (MDM)

Mendip Papers

HE

50 or more ways to reduce costs: opportunity analysis and selection

The Staff College

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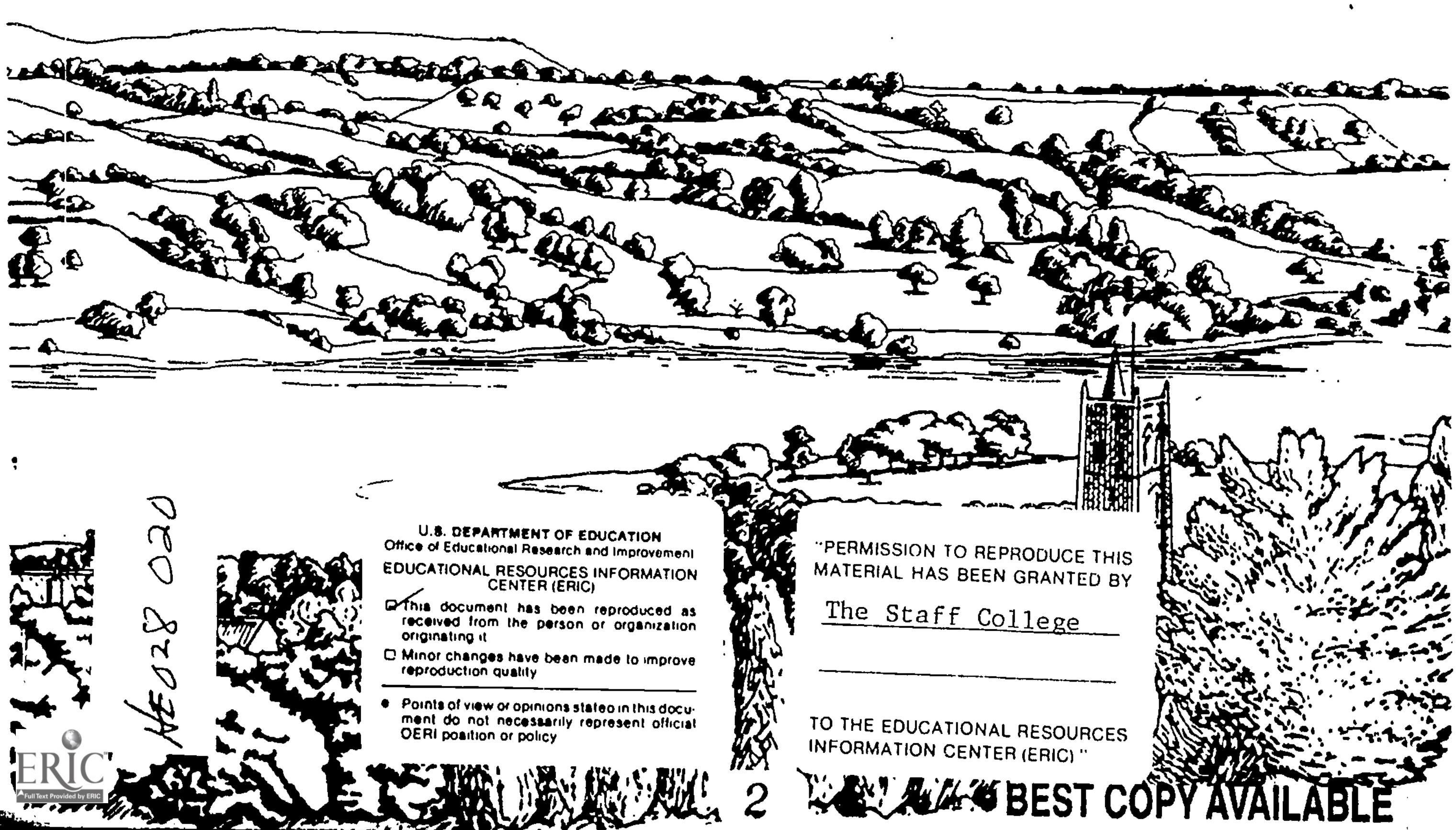

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Introduction

Someone, somewhere, has clearly placed the Chinese saying 'May you live in interesting times' on colleges in the further education sector. Whether or not it is viewed as a curse or a blessing is a matter of personal opinion. However, all colleges a..., or wil be, expected to face the challenge of reducing running costs whilst raising the volume and quality of their service. This short paper seeks to address one aspect of the management response to that challenge – the identification of options for cost reduction.

At a time of increased freedom and predictions of growth it may seem somewhat negative to be arguing for serious cost reduction as one of the key tasks facing the new FE corporations. There are, however, a number of reasons which are compelling when taken in combination. For some, the starting point will be the historical diversity of units of spending which contrast markedly with current and projected levels of income. The Government's public expenditure statement (HM Treasury 1992) may have predicted growth in the funding projected for the FEFC but it has done so on the assumption of rises in efficiency and falling unit costs. The move to a unified model of national funding, however sensitively designed, has implications for a significant number of colleges. The principals of those colleges facing change with units of income historically well below the mean cannot be expected to be any more patient than the man or woman in the street when asked to consider 'losing' much needed income, in the name of stability, to competitors providing the same or a very similar service.

For up to one-third of colleges the necessity is immediate as they are predicting deficits at the end of their first operating year. The experience of the former Polytechnics and Colleges Funding Council (PCFC) sector suggests that this proportion may increase as the database is strengthened and full costs and true income levels are known. For many, the costs of unmet needs in the past, as well as the financing of current and future changes, will have to be funded at the expense of existing commitments. Similarly, there may be good cause to fund measures designed to generate future income. There may also be a strong inclination to trim now to build reserves for earmarked developments or for lean years to come. Colleges can expect cost reduction to represent a serious management challenge.

As a college's strategic plan develops, the underlying resource implications should become clearer. The management of areas of decline may well call for short-term investment at the very time when colleges are also seeking to recruit non-traditional students, develop or extend new methods of delivery and provide services formerly supplied in part by the local authorities. The combination of radical thinking and the development of strategic objectives will demand a questioning of current patterns of resource input and deployment that go beyond seeking different contracts for new lecturers. Setting the resource implications of where a college wants to be alongside an analysis of where the college is now, is likely to lead to the countryman's answer to the lost traveller 'If I were you I wouldn't start from here'.

Nevertheless, we all operate in the public sector (albeit with greater freedoms than before) and are charged with maintaining as well as developing an educational service. To varying degrees and for whatever combination of reasons, managers will be seeking cost reductions for the foreseeable future in order to resource desirable as well as essential change.

Starting points

The traditional approach to handling budget cuts used to be to wait for the local education authority (LEA) as the funding body to announce its allocation and then react by blaming cuts on local and/or central government. Given the power to carry forward balances and the commitment to planning, consultation and early notification, this tactic has become increasingly less credible.

The development of the strategic plan gives the colleges a much more proactive role. The financial implications of its aspirations have to be identified and considered well in advance of any commitments. For the reasons outlined here, it is clear that institutions should be developing a range of strategic as well as tactical responses to cost reductions. A number of options are available, some of which are explored here as starting points for the design of a college approach.

In the past it has been typical for the size of any deficit to be the starting and finishing point for planning expenditure reductions. It is still possible to draw a total from the projections set out for income and expenditure from student enrolments and associated college initiatives. To this may be added a sum to cover essential elements of new spending and a contingency to cover over-optimism. The scale of the cuts exercise is highly significant but it is only one dimension of what has to be determined. Account has also to be taken of where the cuts will fall and how they will impact on current activities.

If part of the art of successful management lies in exercising choice it is clearly advantageous to have a range of options to choose from. The approach underlying this paper is therefore one of maximising the basis for selection. The most comprehensive approach would clearly be to adopt a zero base approach to all college expenditure, or at least to its major parts. Questioning the implications of stopping spending altogether is salutary but undertaken on a macro scale is likely to lead to paralysis from analysis, if not from fear. A more traditional approach has been to seek the immediately possible or to set savings targets expressed either as standard percentages or varied according to the judgement of those leading the exercise. This paper seeks to examine a range of options for savings which have been tested and used in colleges as a key starting point to seeking economies now and as a contribution to the development of a strategic review for the medium- and long-term.

A checklist of opportunities

It is no doubt possible to simply sit down with the college estimates, take any line and presume an opportunity for cutting expenditure. If, however, managers wish to recognise and respond to concerns that the college is losing sight of its primary function, i.e. providing an educational service, then clearly spending less has to be addressed with sensitivity. When doing so, there is often advantage to be gained from the experience of others in the selection of areas for review and in setting possible standards. To this end, the tables which follow, seek to link experience gathered over 20 years with recent feedback from managers attending courses at The Staff College. No list will ever be comprehensive or fit exactly to the local situation but it can provide ideas and illustrations of possibilities. In reviewing these options it may be necessary to recognise that having visited any area of expenditure recently cannot be automatically taken as good cause for not doing so again. If, on previous occasions, no action was taken it cannot be assumed that none is possible or desirable now. Where savings have already been taken it is possible that with effective management further improvement is possible.

In considering options an important distinction is drawn here between cost cutting which leads simply to spending less and cost reduction that takes account of the impact on institutional values and priorities as well as cash values. Both have their place in managing change. Where basic solvency is not the fundamental challenge it is possible to take the view that 'a more effective return in what is provided for the same level of cost is tantamount over a period to a reduction in overall costs' (CIPFA 1980). Even where survival is the prime objective there is still a need to question primary purposes and to link cuts to impact and the future role of the college, thus reinforcing the need to maximise choice. However, if opportunities are to be turned into the release of resources some spending will have to cease and/or productivity will have to rise. Results other than cuts in the total spend therefore need to be specified, expressed clearly in resource terms and confirmed as a contribution to cost reduction. Income generation has a part to play, particularly in the short-term, but real profit at the bottom line is often illusory. Therefore, the primary focus here will be on *controlling* and *reducing* spending.

Recent experience has identified a wide range of ways to cut expenditure and raise the productivity of colleges; the former often in the non-staff areas and the latter in reducing staff unit costs. A pragmatic approach has been adopted here in developing an initial options list and the authors would particularly welcome additions to the catalogue that follows. Not all will work in every college but they can all be considered at the stage of option analysis. In seeking to organise the long list of ideas into clusters, five major groupings have been used here, with sub-sets for two of them. In moving from the standard classification of accounts to groupings which are intended to be closer to the decision patterns of colleges, two somewhat arbitrary choices have been made. The first concerns the location of staffing expenditure which could potentially contracted out. The title 'non-staff recurrent expenditure' therefore includes employees who are the contractual responsibility of an organisation other than the college. The second is the separation of the revenue consequences of capital outlay on college properties from their running costs. The initial focus is thus on the need for the premises themselves rather than how savings may be made on their recurrent expenditure. The five areas identified by the authors are:

1. **management staff costs;**
2. **other staff costs: productivity changes**
   staff changes – first options
   resignations and dismissals
   new appointments
   contractual changes for existing staff;
3. **capital assets costs;**
4. **non-staff recurrent costs: estate maintenance expenditure;**
   security
   insurance
   utilities
   catering services
   professional services
   finance and contract management
   purchasing
   examinations and validation
   publicity and marketing
   staff development
   expenses and hospitality;
5. **costing and pricing.**

Any serious study of cost reduction options will have to address expenditure on staff as it represents approximately three-quarters of a college's recurrent costs. Comparative studies within the FE sector and references to other areas of education and training consistently point to scope for rises in operational efficiency – even those currently with the lowest staff unit costs. It is, however, an area of change where there is perhaps little experience but a great need for sensitive handling.

Colleges are hierarchical organisations with strong traditions. These traditions have dictated and influenced earlier patterns of staff changes. In simple terms, temporary (usually part-time) contracts have usually been the first to be cut. Cleaning, kitchen staff, and latterly, part-time lecturing posts, have thus tended to be the first to go. There are, however, signs that the practice of 'de-layering' senior posts has begun to appear in colleges. Individual management posts and whole levels of management have been removed as part of a restructuring review.

Management staff costs

Managers and lecturers in combination represent over 80 per cent of a college's salary and wages bill. Simple references to teaching and student:staff ratios fail to distinguish between student contact and academic support costs. In reviewing opportunities for cost reduction the distinction drawn between management and other staff is in terms of functions rather than the more traditional approach of determination by type of and position on pay scale (senior grades on the academic, APT & C and manual scales). Where duties are concerned more with the exercising of discretion and co-ordinating the work of others than with teaching, technical functions or administration, they constitute part of the management function. It is clearly important to recognise the scale and coverage of those commissioned to support rather than deliver the more directly productive functions of the college. This recognition is in line with current thinking in some colleges that wish to move towards a single employer status with a more integrated workforce underpinned by cohesive conditions of service and reward structures. Where the cost reduction should begin is a matter of judgement but there may be much to gain from looking first at areas that may not have previously been addressed in a determined, objective and systematic manner. Furthermore, starting at 'the top' may be seen as both setting an example and exemplifying the seriousness of the exercise.

Analysis of management staff costs relies for its currency on the quality of the management information. Defining and quantifying college management generates boundary problems: for whereas teaching is relatively easily distinguished, other professional tasks are not (Kedney 1990). Furthermore, having arrived at some indicative measure of volume of commitment, and translated that into costs, quality and need have to be determined. Examining levels of responsibility and who is empowered to decide what, through such questions as how many staff report to a senior colleague, can be helpful. Analyses of diary records of workload can also begin to explore both the type and the total activity being undertaken. Evaluation of alternative methods of working, including how decisions are reached, the output of regular meetings and the adequacy of support staff for managers can reduce overlap, speed up the processes, give greater clarity, increase productivity and enable effective changes to be made.

Reductions in management staff levels in both the private and the public sector have led to radical change. In terms of full time posts this has included the removal of layers of management as well as the loss of individual posts. One of the characteristics of colleges however, is the wide distribution of leadership and co-ordination functions through hybrid posts linked to teaching, senior technician, administrative and learning support appointments. Change can thus be effected through reducing the management element of contractual time for such posts and increasing the other duties. The needs of the college may also be met through the use of part-time appointments and/or contracting out specialist functions. The following suggestions offer starting points for review.

Checklist
Cost reduction options – management costs

- ✔ Reduce management abatement/remission levels.
- ✔ Increase teaching duties for both full and split management posts.
- ✔ Scrutinise the cost effectiveness of time spent on writing reports, in meetings and on administrative/clerical tasks with a view to elimination, streamlining and/or transfers.
- ✔ Examine split decision-points, multiple reporting to senior staff and levels/spans of control of managers and take remedial action to improve delegation and supervision.
- ✔ Review opportunities for replacing existing commitments with specialist part-time appointments and/or contracting out.
- ✔ Examine de-layering – the removal of a tier of existing management.

Other staff costs

Colleges are people-based and the major part of any college's recurrent spending is on its staff, and of these the lecturers are by far and away the most costly sub-group. Any serious review of cost reduction must therefore examine ways of improving productivity and redeploying resources. In a period of growth in student enrolments this may be achieved, in part at least, by expansion but this presumes that all of the existing post holders match, or can be matched, to the needs of students. Further it presumes that there is no need to seek any transfer of funds from lecturers to other areas of spending. Where this is not the case a number of critical decisions need to be made. One starting point is clearly focused around what it is possible to achieve through existing staff with their existing terms and conditions. To this can be added a consideration of the potential for change flowing from the normal pattern of turnover during the period under review. Contractual changes for new appointments and/or the renegotiation of terms and conditions for existing staff have also to be added to the list of options.

In focusing on staff other than management this checklist does not seek to differentiate between lecturers and support staff, other than where their duties indicate that this is necessary. Reference has however already been made to the division between staff undertaking those activities where the college will remain the employer and those where activities are or could be contracted out. The latter's services, including cleaning, grounds and vehicle maintenance, catering and a number of professional services are included in the section headed 'non-staff recurrent expenditure'. As a good employer in a people-based industry it is assumed that the college will seek to regard all of its staff with equity in so far as is possible when progressing from the identification of options to the selection and implementation stages.

Options relating to improving staff productivity within the existing terms are explored first, consideration is then given to measures that may be taken short of the termination of contracts. Management action leading to early retirements and dismissals (including compulsory redundancies) follow, as they not only provide a means of reducing the size of the workforce, but also of bringing about change when making new appointments. The last element reviewed here is that of changing the contracts of existing staff.

Checklist
Cost reduction options – other staff costs

Increasing staff productivity

- ✔ Rank order teaching group sizes and review lower decile/quartiles with a view to class mergers, alternative modes of delivery or possible closure of options.
- ✔ Rank course lengths by major mode of attendance and consider cutting course hours/ using alternative modes of delivery.
- ✔ Rank order average lecturer hour (ALH) returns, identify light timetabling and improve averaging.
- ✔ Review actual college practice in sections/departments with regard to the timetabling of tea breaks for academic staff to avoid loss of class contact time.
- ✔ Lessen/re-allocate remission (reduced class contact) /abatement activities to teaching.
- ✔ Re-allocate 'elements of class contact' equivalent duties such as invigilation, work placement supervision, marketing and counselling to non-academic pay grades.
- ✔ Establish/increase the profitability of full cost courses.
- ✔ Cut or franchise out high cost – low fixed income activities.
- ✔ Give time off in lieu for overtime rather than pay overtime at time and a half/double time rates for support staff.
- ✔ Review retainer pay for non-teaching staff.
- ✔ Examine redundant activities such as weekend boiler duties.
- ✔ Examine and remove overlapping paperwork/multiple forms and repeated administrative functions.
- ✔ Monitor buildings maintenance work for speed, quality and completion.
- ✔ Review working hours, throughput and demand/productivity in the college libraries, outreach, drop-in and learning resource centres.
- ✔ Retrain and redeploy staff.

Managing staff changes: starting points?

Check whether the non-filling of posts from the projected turnover and non-staff savings will meet the targets when considering the following:

- ✔ Reduce/cut out support staff overtime, replace with time off in lieu where necessary,
- ✔ Dismiss part-time support staff.
- ✔ Reduce/cut out academic staff overtime.
- ✔ Dismiss part-time lecturers by non-renewal of contracts.
- ✔ Cease other temporary contracts.
- ✔ Require retirement at 60+ or 65+.
- ✔ Seek steeping down from full to fractional posts in the last year or two prior to retirement.
- ✔ Career review interviews to include 'encouragement to leave' advice where appropriate.
- ✔ Seek voluntary moves from full-time to fractional posts in administration, libraries and technician support areas.
- ✔ Offer job sharing where posts can be saved.
- ✔ Examine short time working/temporary lay-offs.
- ✔ Remove individual job/salary protections.
- ✔ Renegotiate grade protection anomalies e.g. 'teaching' SLs and former LII grades with reduced teaching loads.

Resignations and dismissals

- ✔ Take action on any allegations of repeated misconduct and gross misconduct.
- ✔ Take action on any allegations of incompetence.
- ✔ Take action on any long-term and intermittent absences.
- ✔ Offer early retirement in the efficient exercise of the service from age 50 without enhancement.
- ✔ Offer selective early retirement with enhancement calculated on an individual basis.
- ✔ Seek voluntary redundancies.
- ✔ Offer selective voluntary redundancy with retirement in the efficient exercise of the service but no enhancement (age 50+ only).

- ✔ Offer voluntary redundancy with enhanced early retirement (age 50+ only).
- ✔ Consider the dismissal of staff with less than two years service.
- ✔ Compulsory redundancy.

Review of terms of new appointments

- ✔ Examine the non-filling of vacancies.
- ✔ Increase the proportion of part-time staff/overtime working.
- ✔ Replace full-time with term-time only/fractional posts.
- ✔ Downgrade the replacement of any promoted post and flatten the promotion structure.
- ✔ Worsen the starting point on the current salary scales.
- ✔ Change the conditions of service for lecturers to increase flexible working.
- ✔ Change the conditions of service for lecturers to increase the class contact hours per week.
- ✔ Increase the number of teaching weeks in the academic year.
- ✔ Introduce instructor/ supervisor/ demonstrator posts on new terms and conditions.
- ✔ Contract out services.

Contractual changes for existing staff

- ✔ Change the conditions of service of existing staff in terms of hours worked per week.
- ✔ Change the conditions for existing staff in terms of weeks worked per year.
- ✔ Remove restrictions on reasonable flexibility and mobility.
- ✔ Reduce the period of notice of termination.
- ✔ Dismiss and re-employ lecturers as instructors/ demonstrators or supervisors on new terms and/or conditions.
- ✔ Transfer student counsellors, wardens and related posts to new scales and conditions of service.

Capital assets

The largest block of expenditure after staff costs relates to capital assets, primarily the college's buildings and grounds. Furthermore, where efficiency studies have been carried out rigorously they have often pointed out considerable scope for improvement. In some instances this calls for changes in the ways in which the resource is managed leading to clearer relationships between responsibility and accountability. This can be achieved by calculating and allocating the resourcing levels needed by the educational programmes, including the space they require, allocating the associated budgetary provision and then charging for it. This approach will, however, point up the need to establish a sound database drawn from an audit of facilities using the latest space norms. In addition some lead investment in remodelling and changes of use can be expected to bring facilities into line with planned rather than historical use.

In improving facilities, establishing management policies and raising standards, a range of changes in working practices can be explored which will generate cost reductions. These may include the following.

Checklist:
Cost reduction options – capital assets

- ✔ Analyse room frequency factors and rank order the findings, review lower decile/quartile results and re-allocate/change use of space.
- ✔ Reduce peaks and raise troughs over the working day, week and year.
- ✔ Rank order seat occupancy results and divide/partition or expand room sizes to match need.
- ✔ Centralise the allocation of non-dedicated rooms and use computerised timetabling.
- ✔ Introduce cost centre management with annual leases and sanction and reward mechanisms.
- ✔ Expand capacity by lengthening the working day.
- ✔ Expand capacity by operating at weekends.
- ✔ Expand capacity by extending the 'property' year of 36 teaching weeks.
- ✔ Franchise out high cost elements of activities to colleges with spare capacity.
- ✔ Rent out rooms on short- and medium-term leases.
- ✔ Sell leases for shops and commercial services, e.g. banks.
- ✔ Hire out facilities and services.
- ✔ Mothball rooms, sections and buildings until needed.
- ✔ Sell land which is surplus to future need.
- ✔ Sell surplus buildings.
- ✔ Replace inefficient buildings.

Non-staff recurrent expenditure

Non-staffing costs have been the traditional focus when looking to make savings. Examples are not only numerous and usually clear and simple, but they also tend to be less politically significant and therefore less well defended. They are therefore easier to tackle. Furthermore, in appearing large in number they can give an impression of industry and creativity that may not be fully earned. Savings on non-staff recurrent expenditure are partial in their coverage, tend to give small returns, are sometimes one-off economies and can impact directly and immediately on the level and quality of service. The latter may, however, also be an advantage in that it brings the need for action clearly to the minds of all and can help to generate operational space and develop credibility.

There may be some inclination to feel that non-staff cost areas visited in the past can be left fallow as they are likely to be unproductive second or third time around. Adopting such a view without first testing it can give support to claims for other no-go areas. Further, it diminishes any argument that the college's mission and strategic objectives should be the touch-stone for the evaluation of options. In any event, efficiency changes and/or reductions in staffing levels should have knock-on effects which need to be carried through to savings on non-staff costs. Any failure to do so will only add to a block of unallocated and unaccountable overheads. There are therefore a number of arguments for revisiting previous hunting grounds though care needs to be exercised. A range of options operated by colleges have been collected here and grouped together into a number of sub-sets. Again they are intended to be illustrative and used as starting points. The income and expenditure code list and its operating framework of cost centres should provide a complementary checklist.

Where studies have been undertaken into the on-going need for existing college properties, attention can focus on the running costs associated with those buildings. If this stage has not been undertaken there may be a need to take account of best evidence of life cycles of properties, their condition, key services and their projected use before any lead investment is made for their development. Some areas of review such as a study of utilities costs and insurance can, however, be free-standing and give an immediate return.

Checklist
Cost reduction options – non-staff recurrent expenditure

Estate maintenance

- ✔ Review the balance between in-house work and that contracted out and explore the potential for competition.
- ✔ Create first call contracts for key services – monitor the speed of response and value for money.
- ✔ Evaluate discounts on broad-based contracts with larger firms versus non-VAT charges of small suppliers.
- ✔ Assess and compare management/supervision costs of both in-house provision and contract compliance.
- ✔ Review scope for internal redeployment with multi-skill retraining.
- ✔ Examine scope for in-house work eliminating the profit element of external contracts
- ✔ Assess the potential for all year round workload for in-house staff.

Security

- ✔ Review the cost-effectiveness of anti-vandalism measures such as alarms, property marking and changes in ground floor glazing.
- ✔ Review the design and lay-out issues identified in DES Architects and Buildings publications.
- ✔ Seek crime prevention advice from the police.
- ✔ Examine cost benefits of in-house versus contracted out services, e.g. security patrols.
- ✔ Establish college policies for responding to hoax alarms.
- ✔ Review possible insurance discounts.
- ✔ Raise security awareness and train in-house staff.
- ✔ Examine monitoring/supervision practices for in-house and contracted out services.

Insurance

- ✔ Consider consortia purchasing with local authorities or other colleges.
- ✔ Periodically seek tenders from a range of brokers.
- ✔ Examine discounts for a comprehensive portfolio.
- ✔ Guard against knock-on clauses, e.g. requirement to use insurer's nominated contractors.
- ✔ Synchronise annual review dates.

Utilities

- ✔ Analyse phone, water and energy bills for errors.
- ✔ Analyse phone bills for unused/under-used lines.
- ✔ Analyse phone bills for high cost/'illegal' calls.
- ✔ Compare gains from call-barring via the switchboard with costs.
- ✔ Review water metering for leaks.
- ✔ Review energy tariffs for best returns.
- ✔ Guard against long-term lock-in clauses with bill analysis agencies.
- ✔ Check costs of energy savings surveys, consultancy and follow-through packages implementing the recommendations which are paid for out of consequent savings against remedial action managed by the college rather than the contractor.

- ✔ Seek power savings from time clocks a : light sensors.
- ✔ Make water savings by replacing automatically flushing urinals with body sensor operated ones.

Catering services

- ✔ Review the trading accounts to identify high cost – low return outlets, sales and periods of service.
- ✔ Analyse the level of identificaticn of overheads in the trading accounts.
- ✔ Undertake a cost-price review of sales.
- ✔ Evaluate opportunities for bulk buying.
- ✔ Assess opportunities for contracting out.

Professional services

- ✔ Review opportunities for in-house activity, including governor advice on professional matters.
- ✔ Establish a clear policy and budget for the use of professional advisers.
- ✔ Stop and think before you ask for assistance.
- ✔ Seek a range of quotations for fees.

Finance and contract management

- ✔ Review the operation of competitive tendering.
- ✔ Improve contract negotiation skills.
- ✔ Examine payment terms and timings.
- ✔ Monitor the college cash flow profile.
- ✔ Double check that *all* costs have been planned for.
- ✔ Review short- and long-term investment opportunities.
- ✔ Examine guarantees.
- ✔ Evaluate maintenance and service agreements.
- ✔ Consider 'factoring' debts.

Purchasing

- ✔ Assess the centralised versus decentralised balance in terms of specialist knowledge and needs.
- ✔ Identify gains of regular buying-in versus costs of stock in hand.
- ✔ Establish college computer hardware and software purchasing policies.
- ✔ Have a clear policy and controls on reprographics, including the supply and use of photocopiers.
- ✔ Assess carefully the granting of a monopoly to any supplier.
- ✔ Ensure co-terminus contracts for related equipment and services to facilitate review and change.
- ✔ Cut out the middle man in purchasing.
- ✔ Seek but assess special deals.
- ✔ Establish and maintain 'clearance to purchase' regulations.
- ✔ Monitor the central purchasing regime, including opting in to major local authority consortia.
- ✔ Determine who can sign on-going leases and contracts.

Examinations and validation

- ✔ Limit the maximum number of college paid entry fees.
- ✔ Set cash limits on examination and validation fees.
- ✔ Cost late entry administration and check charges.
- ✔ Cost external entry administration and compare with charges.
- ✔ Consider payment of fees in advance and refunding successes.
- ✔ Review the college costs of the release of staff to validating bodies to undertake examination, validation and committee work.

Marketing and publicity

- ✔ Establish the range and value of market research and publicity activities.
- ✔ Co-ordinate contacts by college with clients (particularly large employers) to reduce duplication of effort and the aggravation factor of having to receive and respond several times to enquiries and requests from different parts of the college.

- ✔ Evaluate the need for a college-wide marketing unit.
- ✔ Consider payment-by-results for publicity and recruitment.
- ✔ Assess the contribution of external specialist agencies to market research, press advertising and staff recruitment.
- ✔ Identify specialist staff as client service managers charged with co-ordinating and developing activities with target groups/services identified in the college strategic plan.

Staff development

- ✔ Transfer lecturer release to non-contact time.
- ✔ Undertake support staff training in-house.
- ✔ Cascade external training.
- ✔ Delegate budgets to major cost centres.
- ✔ Establish clear priorities for monitoring/vetting applications for courses, conferences and secondments.

Expenses and hospitality

- ✔ Review regulations with regard to choice of mode of travel.
- ✔ Assess car hire versus car mileage rates.
- ✔ Assess car hire versus public transport costs.
- ✔ Review current mileage payment schemes and rates across the college and compare with levels set for tax exemption.
- ✔ Set cash limits within delegated budgets.
- ✔ Regularly review claim patterns.
- ✔ Examine why hospitality is provided.
- ✔ Review how hospitality is provided.

Costing and pricing

Colleges undertake activities which generate income, usually where the price/fee has already been fixed externally by the Funding Council, the local training and enterprise council (TEC) or another government agency supplying grant aid for a defined service. In such areas the issue before the college is one of relating its costs of seeking to undertake the work to the level, or loss, of income. In other areas of commercial activity and grant aid the college is free to set its own price and the client is free to purchase or not. In some instances the income will exceed the college's absorbed or full costs, including its overheads, and thus generate a cash profit. For others earnings may match costs but for some the out-goings will exceed the income and demand a cross-subsidy if the activity is to be undertaken. A clear and sound information base is critical to college policy-making in determining which is which.

Cases can and will be made for undertaking activities where the income meets the direct or marginal cost and account will need to be taken of the long- as well as the short-term implications. The local authority no longer carries any unattributed overheads, rolls forward or even writes off deficits for the college. There is, therefore, a prime need to test the cost implications of existing, as well as new, commitments against their contribution to both the college's strategic objectives and its ability to meet the resource implications. The following proposals may therefore serve as starting points for review.

Checklist
Cost reduction options – costing and pricing

- ✔ Establish a clear cost/price and profit/subsidy policy in terms of who determines and who pays.
- ✔ Identify and examine the extent of overheads/unattributed costs.
- ✔ Establish the level of the fully absorbed costs of activities across the college and compare with the income being generated.
- ✔ Determine the degree, if any, of delegated flexibility in pricing policies.
- ✔ Set and review clear income targets.
- ✔ Diversify staff activity into profit creation activities e.g., consultancy, management development, professional design and advice services.
- ✔ Franchise out high cost elements of programmes to providers with spare capacity.
- ✔ Monitor the bottom line of commercial activities, including staff costs associated with lettings, refectories and residences.

Conclusion

This short paper has endeavoured to explore activity analysis and the identification of options as the first two stages of a structured approach to achieving savings in colleges. In doing so the experience of a number of colleges has been called upon to give illustrations of a range of possible choices. It has been assumed that few, if any, colleges operate with a conscious knowledge of substantive areas of waste just waiting for some external demand for economy. Wide differences in unit costs between colleges are nevertheless a fact of life, albeit that they are predicated on a range of historical reasons and differences in operating cultures. The creation of a national sector and moves to an integrated funding regime clearly point away from diversity and towards convergence. This and other reasons outlined at the outset suggest that firm and effective management of resources across the system will increasingly be called for.

This paper has focused on the identification of options for the reduction of costs for a number of reasons. They give tangible shape and reality to decision-taking, and from them, colleges will increasingly give clear expression to their real values. The ways in which institutions defend the status quo, choose to invest through their initiatives or follow the tide of events will say more about their priorities than any fine words committed to paper in the mission statement and strategic plan.

Responding to the challenges of cost reduction and resource redeployment can be regarded as negative or it can catalyse vision and imagination, it can turn pessimistic action into creativity, but only if it is led with flair and style which recognises and takes opportunities. One of the keys to future effectiveness is likely to lie in the development of the greatest range of options and the maximising of choice when faced with the challenges of cost reductions.

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