

# **Report by the General Purchasing Sub-Committee to the Bursars Committee**

## **Value for Money (VfM) for the financial year 2016-17**

### **(including updates on initiatives in 2017-18)**

#### **Introduction**

The Colleges of Cambridge are independent self-governing institutions working in close partnership with the University to deliver their charitable objectives. Collectively this partnership is referred to as 'Collegiate Cambridge'. The Bursars' Committee represents the Bursars of all the Colleges acting in collaboration where it is appropriate to do so.

The Bursars' Committee seeks to enable the Colleges to take maximum possible advantage of opportunities for efficiency through information sharing and through collective purchasing initiatives. It also recognises the imperative to demonstrate value for money achievements across the collegiate University and is committed to supporting the University in meeting its obligations to external funding bodies in this regard.

The remit of the Bursars' General Purchasing sub Committee (GPSC) is to provide leadership and oversight of VfM and collaborative initiatives across the Colleges, working in close association with the University. The definition of 'Value for Money' covers the key areas of 'Economy, Efficiency and Effectiveness<sup>1</sup>'.

Within this context the sub Committee has been specifically requested by the Bursars' Committee:

1. To prepare on behalf of the Colleges an annual VfM report for the Bursars' Committee.
2. To formulate and disseminate best practice in purchasing among the Colleges.
3. To identify areas of purchasing that could benefit from joint initiatives and initiate co-operative purchasing ventures where feasible.
4. To oversee those collaborative purchasing activities which are not separately reported to the Bursars' Committee.
5. To provide a forum in which the Colleges can, in conjunction with the University Purchasing Office, maximise opportunities for co-operation on VfM between the Colleges and the University.

In 2015/16 the Colleges switched to a new version of RCCA (the accounting standard for the Colleges) which was introduced as a consequence of FRS102. The consequence of this has been a clear distinction in the income and expense account between Restricted and Unrestricted Income and Expenditure. The analysis in this report is based upon the unrestricted element only, which is considered appropriate, given the purpose of the report in relation to HEFCE.

Total unrestricted expenditure across the Colleges in 2016/17 at £375m was very close to that of the previous year (£365m). Of this £326m (£312m) has been identified as 'controllable spending',

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<sup>1</sup> Economy – careful use of resources to save expense, time or effort

Efficiency – delivering the same level of service for less cost, time or effort

Effectiveness – delivering a better service or getting a better return for the same amount of expense, time or effort.

defined as total expenditure less depreciation, interest and investment costs. However it should be noted that since 2013-14 Colleges have collaborated in the issuance of collective bonds and this process continues.

College expenditure on students relates to all categories, including privately funded undergraduates and post graduate students. The total income derived from fees paid by publicly funded undergraduates was £44m, which was 11.6% of the total income received by the Colleges.

### **Benchmarking**

The Bursars' Committee undertakes regular benchmarking studies on behalf of the Colleges in order to provide useful information. In particular, comparative information is produced from College accounts, alongside additional key performance indicators comparing key staff and non-staff expenditure items across all of the main operating departments within the Colleges. This information is made available to the participants to inform management strategies within the Colleges.

52% of 'controllable' spending relates to staff costs – wages, salaries and stipends. This is the same proportion as last year. A further £35.6m (11% of costs) falls into the category of 'Other academic' costs which includes the costs of pastoral care and support services, widening participation, prizes, scholarships, bursaries and other facilities to support students of all types in their life in Cambridge.

Annual surveys are undertaken across each of these areas to provide historic benchmarking information to inform decisions taken by the Colleges independently:

- i. The Assistant Staff salary survey covers the Assistant staff
- ii. The Stipends survey provides information about academic stipends, for full time and part time posts.
- iii. The annual Cost of Education return completed by each College provides further information on academic staff and non-staff costs.

### **Inter-College purchasing agreements**

Discretionary spending categories make up the remainder of 'controllable spending'. This totalled approximately £119m in 2016-17.

Some 22.4% (£26.6m) of this discretionary spending<sup>2</sup> was through collectively managed purchasing arrangements, representing 68% of the total College spending in the four expenditure categories covered by these agreements. These are summarised in Table 1 below:

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<sup>2</sup> Discretionary spending is defined as 'Controllable spending' less Salaries, Stipends, and 'Other academic'

**Table 1: Summary of collective purchasing 2015-16 and 2016-17**

Spending category	Catering supplies	Energy + CRC	Insurance	Business rates	Total
Total spend 2016-17	£23.4m	£11.0m	£2.3m	£1.2m	£37.9m (31.8%)
Collective purchasing 2016-17	£13.5m	£11.0m	£1.4m	£0.7m	£26.6m (70.2%)
Total spend 2015-16	£21.6m	£9.7m	£2.1m	£1.1m	£34.5m (29.7%)
Collective purchasing 2015-16	£12.2m	£9.7m	£1.5m	£1.1m	£24.5m (71.0%)

In addition, Meet Cambridge (formerly known as Conference Cambridge) placed £4.6m of business in 2016-17 from 3,150 circulated enquiries, of which £1.3m was direct with the Colleges. This represents 3.5% of the total income of the Colleges; this figure greatly understates the true contribution of Meet Cambridge, as much repeat business originally placed through this organisation is transacted directly with the Colleges.

#### 2017-18 Developments

##### *Catering:*

Food inflation has fallen over the last 12 months, after steep rises in the previous year, due to exchange rate changes following the “Brexit” decision, and adverse weather conditions. As at the end of March 2018, it was running at 5.21% with meat and chilled products being the main contributors. Over the ten months to March 2018 the benefit of the purchasing arrangement has varied between 19% and 24% of market prices.

Fresh commitments from Colleges and other participants have been sought, in preparation for the re-tendering of food category contracts in July 2018, and of the purchasing agent’s contract, which expires in March 2019. The consortium retains 30 members with two Colleges having decided not to participate on this occasion.

##### *Insurance:*

The collective College Insurance programme had a comprehensive pricing review in 2017. This resulted in a new 3 year Long Term Agreement with a 5% reduction in premium rate for College Property risks plus improved coverage. For Property Owners the commission paid to Colleges was increased by 2.5%.

On 30th October it was announced that Henderson was being acquired by Aon UK Ltd. Henderson will become part of Aon Risk Solutions UK – their UK insurance broking business. Aon is the insurance provider for Cambridge University, although Henderson Insurance Brokers Ltd will retain their separate identity and continue to service the Colleges.

### Utilities:

Overall, in recent years trading has generated value as energy prices fell. More recently trading positions have not been successful. However, the decision to fix contracts in advance for 17-18 has been highly successful and given certainty of cost. The benefit of this will however not flow through to 2018-19, when budgets will have to reflect wholesale prices in the market.

	Gas purchasing trading benefit	Gas purchasing MTM benefit	At a cost of (approx.)	Electricity purchasing trading benefit	Electricity purchasing MTM benefit	At a cost of (approx.)	Notes
Year	£000	£000	£000	£000	£000	£000	
2014-15	-13		-20	21		-20	Closed
2015-16	78		-20	100		-20	Closed
2016-17	77		-20	81		-20	Closed
2017-18	-39	669	-20	-46	529	-20	Fixed at the outset

All of the main energy supply contracts have been re-tendered in 2017, with the new contracts awarded as follows:

	Existing supplier	Existing contract ends	New supplier	Period of contract
Gas	Corona	31.7.18	Corona	1.8.18-31.7.21
HH Electricity	Haven Power	30.9.18	Haven Power	1.10.18-30.9.21
NHH Electricity	SSE	30.9.17	Opus Energy	1.10.17-30.9.20

Competitive market pricing allowed the Colleges to opt for green energy within the half-hourly electricity contract, thereby supporting sustainability objectives.

The CRC regime ends on 31<sup>st</sup> March 2019. At present there is no provision for a successor regime which brings the colleges within its scope, only companies incorporated under the Companies Act, which do not include the colleges. The situation will be monitored by the GPSC.

Data is being collected in preparation for a collective approach to the purchasing of Water, following the introduction of a market for Water in 2017. Earlier advice from Kinect, our purchasing agents, was to let the market settle down before launching a tender; however it is now felt that that it is worth testing the market. The aggregate spend on Water across the Colleges is just over £2m per annum.

### Business rates

Messrs Gerald Eve (GE) have worked with Universities UK to agree a methodology for valuing university premises for the purpose of setting rateable values for non-domestic rates. This is supplemented by specific methodologies for Oxbridge Colleges. The Colleges have commissioned GE to negotiate revised methodologies for new rating valuations having effect from April 2017. They negotiate appeals on individual Colleges behalf, where, notwithstanding the agreed methodologies, there are grounds for appeal.

The Gerald Eve review and challenge process has reduced the Colleges' estimated liability under the 2017 rating revaluation, from £4,852m to £4,635m across the five years 2017-18 to 2021-22; This is

a saving of £217,000 (4.5%). With the passing of the 31.3.18 financial year, a new process is now in force: a “Group Pre Challenge Review” (GPCR). This stops the previous extra-statutory negotiation process and requires some representative, actual rating assessments to be examined under the “check, challenge, appeal” or CCA process.

#### *Meet Cambridge:*

The Company has been working on the replacement of the enquiry management system and its underlying database with a launch in May 2018. The company is also now providing the business services for Visit Cambridge which provides increasing revenues to re-invest in marketing. The partnership has increased in value to £58,000 this year.

### **Other Intercollegiate Initiatives**

The Pensions Working Group has given further advice to Colleges in relation to the USS 2017 Valuation exercise, working closely with the University Pensions office. The sub-Committee has also co-ordinated College input to the revaluation of the Cambridge Colleges Federated Pension Scheme (CCFPS), which is a Defined Benefit scheme for College staff of participating Colleges. It is now planning to undertake a review of auto-enrolment schemes.

The Environment and Planning sub-Committee has prepared and submitted responses to the consultations from the Greater Cambridge Partnership on the Cambourne-Cambridge busway and Park and Ride sites as well as the Cambridge South East Transport Study. The Committee oversees peer-to-peer verification of standards under ANUK/Unipol regulatory requirements for student accommodation. The Committee has also investigated ways in which the Colleges can co-operate with the Council to improve enforcement of the Public Space Protection Order around King’s Parade and Garret Hostel Lane and to mitigate noise pollution from May Balls/June events.

The Taxation sub-committee has facilitated information to be provided to Colleges by a third party provider which describes generally the various circumstances which might affect colleges, in particular the effect of the revocation by the US tax authorities of US section 501 (c) (3) status for certain colleges. This is with a view to allowing a streamlined understanding of a complex area and potentially obtaining co-ordinated advice.

#### *Development*

Joint training events (9+ per year) for college development staff (sometimes also in conjunction with CUDAR) are held, so saving costs compared with separately organised training.

Colleges have co-operated in procuring services from common sources such as telethon consultants or research tools, thereby deriving group discounts.

Some Colleges are jointly organising and hosting of overseas events for alumni e.g. in Hong Kong and Singapore.

Colleges share a joint membership of CASE.

#### *IT*

CASC (Colleges' Administrative Software Consortium) develops and maintains software specifically for Cambridge Colleges. All Colleges are now members of CASC with core funding provided through the intercollegiate levy system.

A number of groups of Colleges are seeking to develop joint initiatives to deliver more effective management of IT services in the face of rising costs and technical complexity. These range from sharing of personnel to more widespread collaboration initiatives. These are already delivering benefits in terms of improved resiliency.

### **Collaboration between the University and the Colleges**

The governance of purchasing is closely integrated, in that the University Director of Procurement attends the General Purchasing sub-Committee (GPSC), and the Chair of the GPSC attends the University's Purchasing Strategy Group. In this way best practice is able to be shared between the two activities.

Colleges are able to have 'read only' access to University purchasing contracts via Marketplace, through which access to wider buying groups such as TUCO is achieved. However it has not proved possible to allow Colleges to make purchases through this route. Colleges also have access to the training in procurement services offered by University Procurement.

The University recently changed its waste management contract from the City Council to a private supplier. This contract is available to Colleges, and the General Purchasing sub-Committee has arranged a meeting with two suppliers to explore further the possibility of a collective initiative.

The University Counselling Service has started College Counsellors initiative, whereby Colleges are offered the opportunity to group together to employ a Counsellor who is provided by the University Counselling service. As well as reducing the cost to participating Colleges, compared with the cost of employing their own Counsellor, this system has the advantage that the counsellor operates under the professional infrastructure provided by the UCS. One group of four Colleges is already in operation started, and other Colleges are interested in participating.

21 Colleges are using the University Occupational Health and Safety Service (OHSS) for training, support, advice and an annual Health and Safety External Audit. This has resulted in significant cost savings for Colleges with the added advantage of consistency of standards being applied across the Colleges.

Almost all Colleges jointly utilise Cambridge in America as a tax efficient giving organisation for the US.

The University Centre and Madingley Hall participate in the Colleges' joint purchasing arrangement for catering supplies.

The Bursars Committee has worked closely with the University Library Syndicate and UIS in the replacement of the Library Management System across the Collegiate University.

### *IT infrastructure and services*

The University and Colleges already co-operate over IT services in various ways and thereby reduce costs. The most significant of these, from a College perspective, are the Cambridge University Data Network (where Colleges and the University operate a dedicated fibre network across Cambridge) and CamSIS (Cambridge Student Information System). The latter system is undergoing a major upgrade and the Project Board has worked closely with Colleges to ensure that the changes they made did not affect the programs run within Colleges.

The University Information Services (UIS) has begun working with Departments and Colleges to share computing expertise and to share certain services where possible. This is particularly apparent in access to University library and IT resources, connection to JANET, networking, shared security concerns, and purchasing of software and hardware. A number of Colleges now operate the “Uni of Cam” WiFi service managed by the University.

The Colleges’ IT Committee has been established to provide a better forum for working with UIS for sharing ideas. UIS has negotiated University-wide agreements with software and hardware suppliers such as Microsoft and Dropbox.

### **Office of Intercollegiate services (OIS) and the Legal Affairs and Employment sub-Committee**

OIS provides a range of value added services to the Colleges collectively, saving expense and improving efficiency especially enabling the Colleges to make and implement collective arrangements with the University. Among the services provided by OIS are:

- Collection and payment of contributions by the Colleges to various functions which are jointly financed by the University and the Colleges. These include:
  - Central Admissions Office
  - CAMSIS (student information system)
  - University Counselling Service
  - Cambridge in America
  - University Communications Office
  - Sports syndicate
  - CamCORS
- Redistribution of fee income and bursary support between the Colleges in line with respective collective agreements
- Provision of legal advice
- Administrative support for collective management arrangements, including the provision of corporate structures to facilitate such arrangements.
- Administrative support to key committees and sub-Committees and management of the Bursars Committee website as a major resource for all Colleges.

OIS also acts as co-ordinator for a range of activities in which the Colleges and the University work together to ensure effective delivery of services to students (such as the Counselling Service) and meeting shared targets (such as Widening Participation expenditure).

The total of subscriptions and levies collected by OIS in 2016-17 was £3.79m (£2.72m). The substantial increase results mainly from increased levies for administration of new Admissions procedures, and widening participation activity. The annual cost of OIS plus the operation of Bursars Committee and Senior Tutor’s Committee is approximately £317k, representing 8% of the total collected; the remainder is the Colleges’ contribution to shared items of expenditure with the University.

The Legal Affairs and Employment sub-Committee of the Bursars' Committee contains representatives not only from the Colleges but also from the Senior Tutors' Committee and the University. This membership allows legal problems to be addressed, where possible and practicable, in a coherent way across the various bodies that make up the University. The pooling of resources in this way avoids colleges and university institutions paying individually for legal advice (although this option remains open if the institution feels this is the best approach).

### **Future agenda**

The GPSC has made good progress with identifying an approach to co-ordinated purchasing of buildings maintenance materials and is working with local suppliers to develop a set of framework agreements that will provide financial incentives to participating Colleges and institute regular monitoring.

General Purchasing sub-Committee on behalf of the Bursars Committee  
May 2018