

NEWCASTLE UNIVERSITY

Report On Value for Money 2008-09

23 September 2009

INTRODUCTION

This is the fifth annual report on value for money activities. At the beginning of the 2004/05 academic year, Executive Board and Council approved the University's value for money strategy. The objectives of our value for money strategy are:

- to integrate VFM principles within existing management, planning and review processes;
- to adopt recognised good practice where this makes sense;
- to undertake VFM studies on areas of activity identified as worthy of review;
- to benchmark our activities against other similar organisations where this is considered useful;
- to respond to opportunities to enhance the economy, efficiency and effectiveness of activities;
- to promote a culture of continuous improvement;
- to ensure that all staff recognise their continuing obligation to seek VFM for the institution as part of their routine activities.

Executive Board has management information presented to it on a quarterly basis which helps to identify value for money issues at a strategic level. The Value for Money Working Group, which includes representatives from Purchasing Services, Internal Audit, Information Systems and Services, Estate Support Service, Finance and Planning, a Head of Faculty Administration and representatives from two academic units, has continued to take action on various initiatives.

In order to ensure stronger management attention to the problem of identifying and addressing value for money issues, it is proposed that the terms of reference for the University Budget Setting Group should be modified from 2009/10 onwards to include the following:

To oversee and ensure the implementation of the University's Value for Money Strategy.

To promote a coherent and integrated approach to Value for Money across all aspects of the University's operations.

The Value for Money Working Group is to be retained but will now report to Budget Setting Group every other month. The membership is to be revised as follows:

- John Hogan, Registrar (Chair)
- Neil Addison, Purchasing Manager
- Richard Dale, Executive Director of Finance
- A Head of Administration from one of the three Faculties
- A Faculty Accountant from one of the three Faculties
- A Head of School
- A School manager
- Juliet Simpson, Head of Internal Audit
- Steve Williams, Director of Information Systems and Services
- Clare Rogers, Director of Estate Support Service

MEASUREMENT OF VALUE FOR MONEY

1. National Student Survey

The National Student Survey (NSS) is an important indicator of students' perceptions of the value for money offered by the University. The University's performance in the NSS in 2009 has improved upon that of the previous year with students' overall satisfaction rating increasing to 87% (from 86% in 2008). The strong performance places the University in 32nd place nationally and 6 percentage points ahead of the national average of 81%. The improved result suggests that the majority of students are happy with the quality of the experience offered by the University.

2 Research Grants

Research grant awards are an important indicator of the research community's perception of the value for money offered by the University. New research awards during the year increased in value by 8% from £81.6m to £87.8m with significant increases in research council and EU awards. We believe this was significantly higher growth than for the sector as a whole. The success rate for research applications was 29.2% by value in 2008/9, compared to 27.8% in 2007/08.

3 Procurement

During 2008/9 Purchasing Services invited tenders for 81 contracts and framework agreements on behalf of the University with a total contract value of £36m. Reported savings negotiated during the process for equipment purchases amounted to £190,000.

4 Administrative Costs

Total administrative and support costs as a percentage of total expenditure (excluding residences and catering) is an important measure of the value for money of our support activities. In 2008/9 administrative and support costs were 41.4% of our total costs, compared to 43.2% in 2007/8.

VALUE FOR MONEY PROJECTS

It is important to note that we agreed, as part of our strategy, that value for money should be integrated into our existing management, planning and review processes. The following, therefore, represents examples of projects where value for money has featured heavily but it does not claim to be exclusive and it does not suggest that value for money does not form part of our ongoing management activity.

MAJOR PROJECTS

1. University's Travel Arrangement – Internal Audit Value for Money Study

The University spent approximately £6.7m on travel and related costs in 2008/9 or £1,500 per FTE member of staff. The value for money study showed that we had insufficient emphasis on value for money in our rules and guidelines on travel. As a result a clear University travel policy has been developed to replace the existing Expenses Manual. This has been approved by Executive Board and will be communicated and implemented across the University. Amongst the changes planned are greater control of the type and class of travel, the use of direct web bookings for rail travel, and firm limits on the cost of accommodation and food.

2. ONE University

Executive Board has initiated a project that will aim to improve the effectiveness and efficiency of support services across the University. It has empowered individual process owners to co-ordinate and plan for service level improvements without regard to the current organisational boundaries. In most cases process improvements will require changes in authority coupled with changes in supporting technology. The revised Value for Money Working Group will be responsible for the implementation of the ONE University initiative during 2009/10.

3. Consultants

A Value for Money report by Internal Audit demonstrated the need for the University to improve its arrangements for the engagement of consultants. In response to the report a policy and procedures for the engagement of consultants were put in place in August 2008. This required staff to stop and think about the need and the benefits of employing a consultant before going ahead with the engagement. All engagement anticipated to cost in excess of £1,000 had to be approved by a faculty manager and all those anticipated to cost in excess of £10,000 require the production of a business case detailing the costs, why a consultant was required, the outputs from the engagement, the benefits accruing to the University, and the opportunities for knowledge transfer.

The policy was implemented by the Purchasing Services office. Compliance with all aspects of this new policy has been weak, nevertheless there is evidence that the key message of the need to manage the engagement process carefully seems to have been acted on. In 2007/08 we spent £3.5m on consultants (excluding capital projects) and in 2008/09 £3.1m.

4. Energy

The University has put in place a wide range of measures to reduce its energy consumption. Compared with 2007/08, the annual electricity consumption for 2008/09 has reduced by 1.2%, the first year of reduction since 1993. This equates to an absolute saving of ca. £50K. Savings against a 'business as usual' scenario are greater as the average annual increase in consumption has been 2.5%. The savings result from investment in energy conservation including lighting upgrades and lighting controls (including schemes supported by external funding for energy efficient projects), implementation of a green purchasing requirement for all new computers, replacement of most of our energy inefficient fridges and freezers over five years old, upgrading the Building Management System (BMS), and improved energy awareness amongst staff as a result of our ongoing work with over 70 Environmental Coordinators across the campus. As required by law all our buildings now have Display Energy Certificates prominently displayed.

The impact of the boiler replacement programme (commenced in 2007/08), the upgrade of the BMS and improved energy awareness has seen a reduction in gas consumption from 33 to 28 gWh (saving £170K). The carbon savings will amount to a third of our commitment to reduce carbon emissions by 10% by 2013. Improved metering, further upgrades to the BMS, improved management of the systems, and further behaviour change will enable further savings.

The Library is currently collaborating with ESS in the phased replacement of the lighting installation in the original part of the Robinson Library building. Following the successful refurbishments of Levels 1 and 2 of the building, which included new lighting installations, the programme has been extended to include the other floors, offices, study rooms and circulation areas. This major phase of the work, which is supported by external funding for energy efficiency projects, began in February 2009 and was

completed in August. The project manager has reported a saving of up to 39% on energy costs for lighting in some areas of the building.

Revised procurement processes for utility suppliers have enabled the University to react quickly in a volatile market, which will enable very significant cost reductions in 2009-10.

5. Student Satisfaction

Action plans have been produced by all our subject areas and by the University as a whole to address weaknesses identified in the National Student Survey. Recent actions have included refurbishment of computer clusters, implementation of a more robust IT solution for assessment and feedback (NESS) in SAgE and actions to ensure parity of esteem between teaching and research.

6. Research Awards

We continue to work to improve the success rate of our research applications to reduce abortive costs resulting from unsuccessful applications. Actions include: three dedicated Research Funding Development Managers; internal peer review schemes in all faculties; more mentoring support for early career researchers; staff development programmes and briefings; and more targeted support for large multi-disciplinary projects.

7. Shared Services

We are in discussions with Northumbria about shared services. Newcastle and Northumbria already have a number of shared services, some of which are recognised as best of breed nationally: NORMAN network management (Newcastle lead), NORMAN out of hours support (Northumbria lead), Health and safety (Newcastle lead), North East Universities Purchasing Consortium (various leads), North East and Yorkshire Academic Libraries, purchasing consortium Knowledge House (U4NE lead). The general cooperation between the two universities is good. Possible areas include:

- * Energy procurement
- * Potential sharing of specialist space for engineering
- * Financial systems developments
- * HR policy drafting, and specialist work
- * Student accommodation; shared understanding and managing student behaviour
- * Student welfare, sharing of scarce resources.

School, Institute or Service Projects

1. Reviews in Accommodation and Hospitality Services and the Sports Centre

The Accommodation and Hospitality Service and the Centre for Physical Recreation and Sport (CPRS) have undertaken a number of reviews in order to deliver value for money for the University, its staff and students. These initiatives include:

- Natural wastage and amendments to the shift patterns of housekeeping and catering staff at Castle Leazes which have resulted in salary savings of £81k in 2008/09;
- Staff restructuring in CPRS, which commenced August 2008, will result in savings of £85k during 2008/09;
- The replacement of shower heads at Bowsden Court University flats which have led to a reduction in water usage and therefore reduced electricity charges at a minimal cost of £8.50 per head.

2. Information Systems and Services

Information Systems and Services (ISS) have commenced two major initiatives during the past academic year, which will have VFM implications:

Server Consolidation via Virtualisation

This will consolidate a number of servers that are currently held throughout the University onto virtualised hosts whose hardware will be centrally managed by ISS. This will provide savings in the capital outlay on servers in academic units and reduce power consumption and thereby revenue expenditure on electricity. It will also lead to reduced maintenance costs in the longer term as well as potentially releasing space for other purposes. It has the added benefits of achieving consistent management of hardware and improves the University's overall capability for data replication in the event of a disaster. The actual likely savings will be £141,000 for capital replacements and £95,000 on power costs over a four year period for the University as a whole based on 6 virtual hosts and the consolidation of 96 individual servers.

Pump-priming of Large Scale Data Storage Hosting Service

ISS have received £174,000 to set up a large scale storage service primarily for use by research groups. This aims to provide a well managed, secure and centralised service which will avoid the fragmented, often duplicated service that is currently on offer. This, in time, will reduce the number of servers held throughout the University, freeing up space for other uses and reducing power consumption and maintenance costs. It is not possible currently to estimate accurately the level of savings as the service has not yet been sufficiently rolled out. These will become clearer in the new financial year.

3. Human Resources – Review of Advertising Costs

In recent years, the University has taken the decision to reduce the number of positions advertised in the local and national media. This has resulted in a significant reduction in expenditure on advertising over the past three academic years:

2006/07	£443k
2007/08	£408k
2008/09	£214k (expenditure as of 20 July 2009)

The University continues to use national media and journals to advertise some academic, professorial and specialist support posts.

4. Estate Support Service – Review of Facilities

University Mail Service

The University intends to adopt the Clean Mail Advanced system before the end of 2009 which will reduce the cost of sending inland UK mail by a minimum of 12%, generating a potential saving of £35K. Investment in new equipment at a cost of £10K is required to facilitate this but these costs will be offset during the first year of use.

Security

The structure and allowances for the University's security service have been reviewed and will result in improved flexibility with no loss of service and long term savings of £95K.

Waste

The uptake of recycling across the University has led to £20K in savings during 2008/09.

In terms of clinical waste, a minimisation strategy will bring about cost savings of at least £30K through a reduction in weight (removing 'clean' glass from the disposal route) and a reduction in the use of consumables. Diversion of other non contaminated waste such as mixed plastics and general waste will improve this figure.

Food waste accounts for approximately 23% by volume of campus waste with a disposal cost of £23K for 2008/09. In April 2008 a food waste composter was installed at a cost of £15K. The composter now processes approximately 50% of the food waste on campus each year. The composter has paid for itself in 15 months and will save approx £11.5K per year net of maintenance charges. A larger capacity composter has recently been purchased to process all food waste on campus and the investment will be returned in first year. Subsequent savings of £25-30K per year are anticipated.

The compost produced is used across the University grounds.

5. University Library

Print Services Review

In August and September 2008, an audit and review of the operations and services offered by the Library's Print Services was undertaken. In the course of investigations carried out by an external consultant a number of significant issues were revealed, including excessively high management costs, low and declining levels of activity in certain areas, deficiencies in operational processes and quality control, all of which have led to high net costs. As a result of the review, a reorganisation of Print Services was initiated which, it is estimated, will result in a net saving of approximately £140,000 per year to the Library which, it has been proposed, will be redirected in order to enhance core library services in support of teaching and research.

UK Research Reserve (UKRR)

In 2008, the Library successfully applied to join the UKRR shared services project which is funded by HEFCE. The project partners included the British Library and seven other university research libraries, which have collaborated in the establishment of a distributed national collection of low-use print journals. While removing from their collections a number of journal runs which receive little or no use (most often those which have been replaced by digital equivalents), the partners have committed themselves to retaining those which are unique or which are available only in small numbers elsewhere in the country in order to ensure their long-term preservation. A number of other journals were transferred to the British Library to fill gaps in its holdings.

As part of the project, approximately 750 linear metres of journals were removed from the University Library and recycled in summer 2008. £9,000 of project costs were reclaimed from the UKRR "deduplication fund" to pay for the physical work of removal and redistribution of stock; the space released on the shelves is now available for further collection development. The Library has recently committed itself to joining Phase 2 of UKRR, a five-year programme which will continue to contribute to the Library's long-term space management strategy.

6. Finance Office – University Credit Rating

Work has been undertaken to improve the University's credit rating. According to Dun & Bradstreet Inc, the University's business failure rating has improved from 96 to 100 (the best score available) over the past year. This has had the effect of reducing the risk-based element of the Pension Protection Levy, which the University's Retirement Benefits Plan is required to pay, by approximately £70k for the 2010/11 academic year.

7. Purchasing Services

Purchasing Services staff also provided input into many of the other activities that have value for money as a recurrent theme over the year. These included working with ISS on the Green Computing Initiative which aims to cut the whole life cost of the provision of computers by standardising specifications to reduce purchase prices and specifying energy efficient computers to reduce electricity consumption. This initiative will save 25% on the cost of buying and running a computer over a 5 year period. Purchasing Services is also working with ISS to introduce recycled paper across the University computer clusters and ultimately across the University. By standardising on a brand and quality which is useable in the university's copiers and printers the initiative aims to achieve environmental benefits and save money.

Other activities included contract management of over 50 contract framework agreements on behalf of the University, ensuring agreements meet the requirements of the University, and resolving disputes on behalf of University staff.

8. Internal Audit

Purchasing Services produced a value for money report demonstrating that Internal Audit is providing value for money for the University.

MAJOR VALUE FOR MONEY STUDY IN 2009/10

It has been agreed that the subject of Internal Audit's major value for money study during 2009/10 will be long-term maintenance. Since the financial year 2007/08, we have taken the decision to increase the long term maintenance spend to £3m per year. The list of long term maintenance projects remains very large at £64m. In addition to the specific ring fenced items, when we undertake capital improvement or any forms of improvement projects, we should be addressing long term maintenance issues on the relevant buildings. The prioritisation of the long term maintenance plan, the integration of this process with other capital projects is, therefore, a complex arrangement. In addition, we will need to review the performance arrangements in place.

John Hogan
Registrar
23 September 2009