SPECIAL ORDINANCES UNDER STATUTE A

THE CHANCELLOR AND THE GOVERNMENT OF THE UNIVERSITY

SPECIAL ORDINANCE A (iv):
Audit Committee of the Council (*Special Ordinance under Statute A IV 10*)

1. There shall be a standing committee of the Council, called the Audit Committee, which shall consist of:

(*a*) a member of the Council in class (*e*) (as referred to in Statute A IV 2(*e*)) appointed by the Council to serve as Chair of the Committee,

(*b*) two members of the Council appointed by the Council from among its members who are members of the Regent House, provided that neither the Vice-Chancellor, a Pro-Vice-Chancellor, nor the Chair of a Council of a School shall be eligible to serve,

(*c*) four persons, not being members of the Regent House or employees of the University, appointed by the Council with regard to their professional expertise and experience in comparable roles in corporate life, including at least two members with experience of finance, accounting, or auditing,

(*d*) not more than three persons co-opted by the Committee, of whom

  (i) the first person co-opted shall be a member of the Regent House, such person not being a member of the Council;

  (ii) not more than two co-opted persons shall be members of the Regent House, such persons not being members of the Council;

  (iii) not more than two co-opted persons shall be external members, one but not more than one of whom may be a member of the Council in class (*e*) (as referred to in Statute A IV 2(*e*)), provided that it shall not be obligatory for the Committee to co-opt any person or persons.

For the purpose of these regulations, external members are defined as the following members of the Audit Committee:

(a) persons who are members of the Council in class (*e*) (as referred to in Statute A IV 2(*e*);

(b) persons who are not employees of the University or any of its companies or of a College, and who do not hold College Fellowships which qualify them for membership of the Regent House.

2. Members in classes (*a*), (*b*), and (*c*) shall be appointed in the Michaelmas Term to serve for three years from 1 January next following their appointment. No member in class (*a*), (*b*), and (*c*) may serve for more than eight consecutive years. Co-opted members shall serve until 31 December of the year in which they are co-opted or of the following year, as the Committee shall decide at the time of their co-optation.

3. No person may be a member of the Audit Committee who is a member of the Finance Committee. If a member of the Audit Committee becomes a member of the Finance Committee, her or his place shall thereupon become vacant.

4. No decision of the Audit Committee shall have any binding effect unless there are at least five members, three at least of these being external members, present at a meeting of the Audit Committee. If a decision is the subject of a vote and there is an equality of votes cast, the Chair, or Acting Chair, as the case may be, shall be entitled to give a second or casting vote.

5. In the absence of the Chair of the Committee, the Audit Committee shall elect an acting Chair from the external members present.

ORDINANCES

CHAPTER XIII FINANCE AND PROPERTY

AUDIT COMMITTEE

1. The Audit Committee shall meet at least twice in each financial year. It shall be the duty of the Committee:
   - (a) to keep under review the effectiveness of the University's internal systems of financial and other control;
   - (b) to advise the Council on matters relating to the external and internal auditors, including their appointment, the provision by the auditors of any additional services outside the scope of their regular responsibilities, the remuneration of the auditors, and any questions relating to the resignation or dismissal of auditors;
   - (c) to ensure that sufficient resources are made available for internal audit;
   - (d) to approve proposals for internal audit put forward by the internal auditors;
   - (e) to review annually with the external auditors the nature and scope of the external audit;
   - (f) to consider any reports submitted by the auditors, both external and internal;
   - (g) to monitor the implementation of any recommendations made by the internal auditors;
   - (h) to satisfy themselves that satisfactory arrangements are adopted throughout the University for promoting economy, efficiency, effectiveness, and risk management;
   - (i) to establish appropriate performance measures and to monitor annually the performance and effectiveness of the external and internal auditors;
   - (j) to consider, in consultation with the external auditors, (i) any financial statements annexed to the abstract of accounts, including the auditors' report, and (ii) any statement provided by the Council on the governance of the University;
   - (k) to ensure that all significant losses are properly investigated and that the internal and external auditors, and where appropriate the Higher Education Funding Council for England, are informed;
   - (l) to oversee the University's policy on fraud and irregularity, and to ensure that they are informed of any action taken under that policy;
   - (m) to make an annual report to the Council, the Vice-Chancellor, and the Higher Education Funding Council for England;
   - (n) to receive reports from the National Audit Office and the Higher Education Funding Council for England, and to advise the Council thereon;
   - (o) to forward minutes of their meetings to the Council.

Statutes and Ordinances of the University of Cambridge, 2015

Deloitte LLP - fees for internal audit work 2015 - 16

	Number of Days	Cost (excluding VAT)	Cost (including VAT)
Completion of 2014 - 15	49	£41,853	£50,224
Audit Work in 2015 - 16	407	£352,488	£422,916
Total	456	£394,341	£473,139

Deloitte LLP - fees for other work relating to 2015 - 16

Other Work	Fees (excluding) VAT	Fees (including) VAT
None	£NIL	£NIL
Total	£NIL	£NIL

External audit

(i) PricewaterhouseCoopers LLP and overseas network firms – fees for audit work in relation to 2015 – 16

Entity and service	*Fees* (*incl. UK VAT – where applicable*)
External audit work for the University, Cambridge Assessment, Cambridge University Press, Associated Trusts, subsidiaries and the standalone CUEF financial statements	£929,270

(ii) PricewaterhouseCoopers LLP and overseas network firms – fees for non audit services 2015 - 16 billed since our November 2015 summary

Entity and service	*Fees* (*incl. UK VAT – where applicable*)
Other assurance services	
Little U – National College for Teaching and Leadership (NCTL) return	£4,315
Cambridge Investment Management Ltd – FCA client asset work	£5,389
UTS Cambridge – Teachers pension scheme return	1,800
UTS Cambridge – EFA accounts return	1,200
Tax compliance and advisory	
Cambridge Enterprise Ltd – Corporation tax compliance	£4,368
Cambridge University Technical Services Ltd – Corporation tax compliance	£1,968
Advisory	
Little U – North West Cambridge review	£128,069

(iii) PricewaterhouseCoopers LLP – fees in respect of participation in external projects/events administered by departments

Entity and service	*Fees* (*incl. UK VAT – where applicable*)
Work in respect of ClimateWise, which is administered by the Programme for Sustainability Leadership	£44,280

University of Cambridge Audit Committee

Assurance on Colleges' use of funds

Note of a meeting on Thursday 3 March 2016 in the Registrary's office.

Present:	Chair of the Audit Committee, Mr Mark Lewisohn (Chair of meeting) Chair of the Colleges' Committee, Professor Ian White Chair of the Bursars' Committee, Ms Deborah Lowther Chair of the Bursars' Committee Value for Money Sub-Committee and Bursar of Fitzwilliam College, Mr Andrew Powell
Secretary:	Assistant Secretary of the Audit Committee, Dr Clara East
Apologies:	Registrary and Secretary of the Audit Committee, Dr Jonathan Nicholls

1. The meeting was part of an established mechanism to provide assurance that the autonomous Colleges applied public funding received via the Colleges' share of tuition fee income for appropriate educational purposes and that due attention was paid to efficiency and value-for-money considerations.

2. The mechanism included an annual exercise by the University's Director of Finance to compare Colleges' total fee income and restricted funds income with expenditure on education. Assurance used to be obtained by individual College certification. The current methodology of retrospective analysis of notes in College accounts had been developed in the past with the Audit Committee's agreement to make the exercise more efficient whilst providing an appropriate basis for assurance to HEFCE. The assessment of the Colleges' 2014-15 audited accounts had been completed and, at the next meeting of the Audit Committee on 5 May 2016, the Chair of the Audit Committee would report satisfaction with the application of funds transferred.

   The table compiled by the Director of Finance from the Colleges' accounts had been circulated to the attendees for information. Additional assurance in this regard was provided via this annual meeting, which provided a forum to explore matters and exchange information, particularly in the area of value for money.

3. The Director of Finance ran through his analysis in detail. He explained that the figures intended to demonstrate that Colleges were spending more on education than they received through their share of tuition fee and other sources by comparing total expenditure on education with total educational income. The data showed that in most cases Colleges spent more on education than they received in income from sources including the HEFCE funds. In the majority of cases this held even in the worst case scenario of counting Colleges' restricted income as if it were earmarked entirely for education (which in reality it was unlikely to be). This gave assurance that the HEFCE funds were used for the appropriate purpose. In aggregate across all Colleges, there was a £31m deficit (under the worst case view). Looked at in an alternative way (not counting alternative education income), the deficit increased to £63m.

   For the eight Colleges that showed a surplus using this methodology, notes in the College accounts provided explanation. For example, Christ's College was in surplus but there was very little restricted income specifically for education and hence there continued to be a deficit in this area. In conclusion, each College was spending the funds for the purpose intended and was in fact subsidising resources in addition to this.

Whilst not affecting the overall conclusion this time, it was noted that in future years' analyses a more detailed look at the make-up of restricted funds may be necessary; fundraising income was expected to increase and could skew the analysis inappropriately since some of the income would not just be counted as restricted educational funds (e.g. a funded CTO post would count towards research income too). It was further acknowledged however that any extra funds raised were used to enrich students' experience and were not simply a surplus.

It was agreed that whilst the methodology was crude the analysis gave sufficient assurance for the Audit Committee to assert to HEFCE that the funds transferred were applied appropriately. The Director of Finance invited the Colleges' representatives to consider a more granular analysis in the future if this was preferred.

4. Mr Powell took attendees through the value for money report. This was prepared by the General Purchasing sub-Committee to the Bursars' Committee which looked after value for money activities across the Colleges. The paper reported on the 2013-14 financial year, with updates on 2014-15 initiatives. The next report on the 2014-15 financial year would be approved in May. The report had been restructured this year to give more quantified data and a greater level of detail.

Benchmarking studies of different types of costs provided very useful management information for participating Colleges despite necessarily being based on historic data. Approximately two thirds of the Colleges' 'controllable spending' related to staff costs, stipends and 'other academic' costs. The other third was 'discretionary spending' which was around £91m in 2013-14. A quarter of this spend was through collective purchasing arrangements in the areas of catering supplies, energy and CRC tax, insurance and business rates.

Mr Powell drew attention to a number of points in the report:

- Energy purchasing was now done on a flexible rather than fixed price basis. The Colleges and University had discussed potential sharing in this area of purchasing but owing to the different patterns of energy use between the University and Colleges were satisfied that the separate contracts demonstrated best value for money;
- A number of inter-collegiate initiatives of varying scale were highlighted (e.g. joint training events, joint organisation and hosting of overseas alumni events);
- IT was a very big feature of collaboration between University and Colleges and future reports would highlight this more.

The Chair of the Audit Committee thanked Mr Powell for his report and asked whether the Audit Committee could do anything to further facilitate value for money initiatives between the University and Colleges. Mr Powell responded that there were currently very good working arrangements at ground level and there was no barrier between the Colleges and University on their willingness to collaborate. There was a target list of items they wanted to address. The challenge was to focus the limited capacity of the Colleges (which did not have specifically funded value for money resource). The Chair noted that if this situation changed the Audit Committee should be made aware so that it could help. He felt that there may be more savings to be made.

The Chair queried why only 21 of the 31 Colleges used the University Occupational Health and Safety Service (OHSS). It was explained that Colleges made independent decisions and some had effective long-standing relationships with other providers and the savings to be made by going through OHSS were not necessarily so great as to be worth the disruption caused by change of service. On this subject Mr Powell noted that Fitzwilliam College's experience of the service provided by OHSS was of good value and service.

It was also noted that it was worth progressing value for money exercises more slowly in certain areas. A sudden increase in savings through value for money initiatives could cause significant disruption to student services (e.g. change of counselling provision from in-College to 'external' University service). A further example was e-procurement. The 33% College take up was low and this was attributed to the commodities purchased and the patchy service which could result in extra work to remedy problems. It was concluded that there would always be a tension between value for money and the need for Colleges to remain effective at what they did despite their small organisational size which could make cost effectiveness more challenging.

Finally it was noted that there was cross-representation on both College and University committees that looked at value for money activities. For example, the Purchasing Working Group which reported annually to the University's Resource Management Committee had College representation and the Head of University Procurement Services attended the Bursars' Purchasing sub Committee. A workshop on value for money initiatives had been held in September 2013 with representation across committees. This was a brain-storming session in which potential new initiatives were proposed and fruitful ones followed up. It would be valuable for this to be repeated periodically, such as every five years.

The minutes of this meeting and the Colleges' value for money report would be included in the Audit Committee's Annual Report to HEFCE at the end of the calendar year as normal. Consideration would be given to the inclusion of the more up to date report once this was approved in Easter Term.

Report by the General Purchasing sub-Committee to the Bursars Committee

Value for Money (VfM) for the financial year 2014-15

(including updates on initiatives in 2015-16)

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[1]'.

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.

Total expenditure across the Colleges in 2014/15 was £388m (an increase of 10.8% on the previous year). Of this £308m, has been identified as 'controllable spending' defined as total expenditure less depreciation, interest and investment costs.

This definition excludes interest costs; however in 2013-14 two rounds of funding were issued totalling £149m under a new long term collective bond, representing some 31% of the total borrowings of Colleges at the financial year end.

[1] 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.

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 as well as 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.

50% of 'controllable' spending relates to staff costs – wages, salaries and stipends. A further 14% of costs falls into the category of 'Other academic' costs which includes the costs of student support, widening participation and other facilities to support learning and student life in Cambridge.

Annual surveys are undertaken across each of these areas to provide 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 £117m in 2014-15.

20.1% (£23.53m) of this discretionary spending[2] was through collective purchasing arrangements, representing 71.0% of the total College spending in the expenditure categories covered by these agreements. These are:

- Catering supplies
- Energy and CRC tax
- Insurance
- Business Rates

In addition, some 12.7% (11%) of conference income was placed through Conference Cambridge, a joint venture marketing organisation, an increase of 26% on the previous year. This understates the true contribution of Conference Cambridge as much repeat business originally placed through this organisation is transacted directly with the Colleges.

<u>2015-16 Developments</u>

Catering:
Over the ten months to April 2016 the benefit of the purchasing arrangement has varied between 12% and 16% of market prices.

[2] Discretionary spending is defined as 'Controllable spending' less Salaries, Stipends, and 'Other academic'

The Frozen contract was successfully tendered and brought within the scope of the purchasing agreement to ensure rigorous controls for this category of this product, which had previously been managed separately. This enabled the purchasing agreement to be extended for a further two years from April 2015 without any increase in fee rates.

33% of Colleges are now using e-procurement to some extent. The estimated benefit of the plan to employ electronic procurement and product level invoice reconciliation is between 3% and 8% of expenditure.

Insurance:
One College which had previously been outside the buying Group has subsequently joined from 1st January 2016.

The broker framework agreement has been renewed for a further three-year period from January 2016.

The Property and Property Owners' programme with Ecclesiastical has been renewed at existing terms for a period of three years following agreement by all colleges in the buying group.

Energy:
Meter operating contracts have been subject to competitive tendering but no tenders were requested in the period under review. The contract has been re-let in 2016 at a saving of £11,864 p.a. for colleges in aggregate.

The flexible purchasing contracts for gas, half-hourly electricity and procurement agency have been extended for a further, fourth year. Bursars have agreed to increase the risk tolerance for flexible purchasing from 10% CaR to 15%. The CaR is effectively the tolerance band of purchasing operations either side of the budgeted figure.

CRC tax spend was £818,209 for the 12 months to March 2015. The price of a ton of CO^2 went up by 30% between the first and second phase of the scheme (second phase started in 2014-15).

Conference Cambridge:
One additional college has subscribed.

A business case for providing a Venue service for conferences for the Cambridge region was developed in 2014-15 and refined and excepted by the Visit Cambridge board in early 2016. This will launch in Autumn 2016 and provide additional revenue for the Colleges and additional marketing opportunities including access to government funding for international marketing.

Other Intercollegiate Initiatives

Development
Joint training events (5 or 6 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 telethon consultants;

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. CASC allows Colleges to develop software suited to their particular needs and to have support immediately available. This is often cheaper and more reliable than commercially available alternatives. It has developed a number of programs. Currently 20 of the Colleges are members of the consortium and use at least one of the programs. The programs range from accounting for supervision payments to applications for Research Fellowships. The most recent development is the provision of software for room bookings in Colleges.

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.

Other
A proposal for the collective purchasing of Waste Management Services was considered. However, in view of the total spend across the Colleges (estimated at £700k per annum) and the considerable advantages offered by the City Council it was not considered feasible to progress a collective initiative. This position will be reconsidered in the light of the University's own plans.

Collaboration between the University and the Colleges

All Colleges are able to access University purchasing contracts via Unibuy, through which access to wider buying groups such as TUCO is achieved. It has not yet proved possible to quantify the College spend going through these contracts, although this expenditure will have been counted in the University's value for Money submission. Colleges also have access to the training in procurement services offered by University Procurement.

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 Catering Service participates in the Colleges' joint purchasing arrangement for catering supplies.

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 CAMCORS (where a new version is being completed to allow supervisions to be accounted for coherently) and the Cambridge University Data Network (where Colleges and the University operate a dedicated fibre network across Cambridge.

The University Information Services (UIS) has begun working with Departments and Colleges to share computing expertise and to share services where possible. This is still at an early stage and will require several years to reach a conclusion. Nonetheless, co-operation is developing. 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. The first of these are well-established but more is possible with the latter items.

The Bursars' IT Committee is discussing with UIS reforming the committee to provide a better forum for sharing ideas. UIS is negotiating University-wide agreements with software and hardware suppliers.

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 2015 was £2.44m, of which some £500k represents the sharing of College costs with the remainder being the Colleges' contribution to shared items of expenditure with the University. The annual cost of OIS plus the operation of Bursars Committee and Senior Tutor's Committee is approximately £293k.

The Legal 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 Energy Management sub-Committee will be consulting Colleges with a view to deciding whether to issue a tender for water purchasing ahead of the deregulation of the market in April 2017.

Last Mile delivery: The Cambridge Business Improvement District has commissioned consultants to provide recommendations on the introduction of a 'last mile delivery' service to businesses and Colleges in the central BID zone. The proposed service would operate from an out of city hub with electric vehicles delivering a range of items including ambient, chilled and frozen foods to the city centre. The primary benefits of this project would include a reduction in the number of delivery vehicles that congest the city.

18 City centre Colleges who make up the BID group are investigating the feasibility of a joint purchasing arrangement for certain types of compliance testing under the Health and Safety at Work Act.

Nursery provision: Discussions have been initiated regarding a potential participation in a joint Nursery project with the University (being led by University Procurement) – to deal with the long term need for more nursery places.

Further consideration will be given later this year to the benefits of negotiating a common purchasing agreement with Blackbaud for the provision of Raiser's Edge software, in the light of the University's decision to purchase a different system.

<u>Other commodities for consideration</u>

Agency staff
Janitorial services
- Laundry
- Domestic supplies

Stationery
Furniture

General Purchasing sub-Committee on behalf of the Bursars Committee
5th May 2016