APUC *Core Team*
Budget / Funding Summary Document
For
2022/23 and 2023/24
Academic Years

Version 0.2
(Step 3 paper)
February 2022

Introduction

This document comprises the funding request for APUC (Advanced Procurement for Universities and Colleges) Ltd, for the 2022/23 and 2023/24 academic years. The process outlined in this document is a continuation of that previously agreed and which has taken place for previous years' funding (since 2012). Funding agreed through this process is provided on behalf of the sectors directly from the Scottish Funding Council.

The funding process since the establishment of APUC in a steady state has taken place every two years in order to make the process as efficient as possible and reduce the burden on the members of the Funding Consultation Group (FCG). Although fixing a budget for two years could be seen as constraining, it is felt that having clarity over funding will allow resources to be reviewed and adjusted dynamically to meet evolving developments within the defined budget more effectively, enabling APUC to be positioned optimally as defined throughout the period by its Board. While there has been continuous trimming of resources leading to this funding proposal, this has been taken only to the level where return on investment will not be negatively impacted.

As it is difficult at this time to make well informed income and impacts / challenges judgements for the second year covered by this paper, the second year funding (2023/24) approval by the FCG is not committed at this stage / provisional only as such but assumed to be applicable unless the FCG deem it appropriate to specifically review it at the end of 2022 / early 2023 in light of material changes to the sectors funding or needs. It is assumed therefore that the funding should proceed for year two also unless the FCG specifically convene or consult to agree a different arrangement by the end of January 2023.

APUC has from the end of 2017, delivered against its "APUC Strategy to 2022", this is therefore nearing completion. A new strategy is currently under development with the APUC Board covering the period from later in 2022 to 2027, this has been used to establish the resource needs and resulting costs contained within this document. The APUC Strategy is normally reviewed / updated (where / if applicable) annually in May or August, in consultation with the APUC Board, with the Strategy deemed to be a dynamic document that can be updated to ensure it remains relevant to deal with any emerging / unforeseen challenges or opportunities presented to the sectors. The management and Board of the company will ensure that any strategy changes are synchronised with funding that is agreed / planned. Funding agreed will be assumed to be on the basis that the Board are empowered to adapt and replace the strategy on an as-required basis in order to ensure that the company continues to optimise delivery to meet the sectors' developing needs. *Please note that institutional shared services are not covered by this funding document, these services are directly funded by institutions using the relevant services.*

The General Approach to Funding Approval

The APUC Funding Consultation Group (FCG) forms to approve APUC's budget on behalf of the University and College sectors and to agree any changes to distribution of costs where applicable. The FCG comprises the sector APUC Board Directors from each sector in equal numbers plus the Chairs/Convenors of both the Scottish Universities Finance Directors Group and the Scottish Colleges' Finance Development (Finance Directors) Network, and the CEO of APUC – please see Annex 1 for the contact details.

The core funding for APUC is provided via the SFC on behalf of the sector, the FCG is empowered therefore by their sectors, to provide, on behalf of both sectors, a request to the SFC for them to award funds for the coming year(s) to APUC based on the eventual agreed budget. This is done via Universities Scotland (for Universities) and for Colleges in Scotland, direct from APUC and the (College members of the) FCG to the SFC (Colleges Scotland does not have the same brief as Universities Scotland or the earlier Scotland's Colleges structure).

The Funding Consultation Group process is set out in page 6 of this document. The 2022 Funding Consultation Group Members are listed in Annex A.

Service Development

Within the future plans for service delivery from APUC, further to consultation activity with member institutions and development of APUC's new strategic objectives, it is intended that all current core team services will continue to be delivered, with new or enhanced areas of service being provided in addition to these. It is aimed that this will be done without a material increase to costs as APUC makes maximum use of other income sources (including charging non-members for eSolutions services etc) and by careful resource management capitalising on changes to ways of working (learned from during the Covid pandemic), leading to less travel (and more use of virtual tools etc) with the resulting increase in availability of productive time (but taking care to ensure that value adding activity that involves travelling is not curtailed unnecessarily) and saving to office accommodation costs.

It is intended that the additional / enhanced areas of activity / delivery will include the following:

- Web enablement of the core eSolutions Hunter tool and development of it into a single client portal (work to enable this has commenced);
- Significantly increase the amount of deep dive responsible business assessments taking place on our higher risk supplier community;
- Develop further the supply chain greenhouse gas emissions reporting tools for institutions;
- Develop and implement long term climate action plans for collaborative procurement activity aligned to the emerging HE/FE sectors' Supply Chain Climate and Ecological Emergency Strategy;
- Provide increased Responsible Procurement support services to member institution procurement teams / other stakeholders and internally to the APUC Collaborative team to assist in implementing change to deal with the climate impacts within the sectors' supply chains.
- Provide Fair Work reporting tools so that institutions can more easily report on those aspects both internally and externally
- Develop the successful APUC graduate trainee scheme to enable institutions to use it to recruit their own graduate trainees where required.

APUC will also continue with an array of recurring work that provides core long term benefits to institutions this includes:

- The Operational Procurement Team (OPT) bring together the sectors spend into collaborative agreements to bring leverage to costs and contract management influence, as well as avoiding the need for institutions to operate full tendering activities for the goods and services covered by these collaborative framework agreements. APUC's OPT works with other collaborative partners across UK HE/FE and the other publicly funded sectors in Scotland to maximise efficiency of delivery and leverage. Key outcomes are:
    - Number of collaborative agreements available to client institutions via APUC (either led, jointly managed or facilitated) as of 1/1/2022: Over 180
    - Collaborative Contracting ("Category A & B"*) Savings, based on 2020/21 AY data (currently under validation): Over £12m at BT1 level (generally versus previous price paid) or over £30m if calculated at BT2 level (versus market pricing). Over the last 3 years, this has averaged over £13m at BT1 and over £27m per year. (All based on Scottish Government / Cross-Sector & UK HE Benefits Reporting Methodologies)

- There is also a small College Services resource within the OP team that work flexibly across the College sector to provide senior procurement expertise and support. The benefits above do not include the specific work from this team. The benefits from this are wide and include risk reduction, process efficiency and spend savings normally report at "Category C"* level.

  **Category A procurements are commodities that are bought across all publicly funded sectors in Scotland (Energy, laptops etc), Category B procurements are commodities bought commonly across a sector (lab equipment, virtual learning software etc), with Category C being procurements that are local to that institution.*

- The e-Solutions team operates as a systems implementation and support resource for the whole sector as well as managing and re-configuring / re-integrating systems as required. This team also supports the sector in the use of MI and in statutory reporting around spend and in use of a variety (10+) of systems solutions, including several developed by APUC (although several of these systems are now being combined into a single APUC client portal) to meet specific sector needs (which APUC and its members own the IPR for).

- APUC also acts as the representative body for the University and College sectors in matters related to procurement and constantly works with the Scottish Government to ensure that new policies, legislation, regulations and measures are fit for purpose within the context of the University and College sectors. This effort has been of significant value as we for example, achieved major changes to the scope and detail of the Procurement Reform Act and is now enabling it to play a key role in working with the Scottish Government on the Procurement Climate Forum.

- APUC introduced in the 2012/13 year, a management development programme that was open for graduates from Colleges and Universities to apply to (required HND or above qualification). This has proven to be extremely successful, with several procurement leaders across the sector having starting on the programme.

- All of the services that APUC deliver for operational benefit also provide for a significant degree of risk reduction for client institutions, including reducing the number of regulated procurements (and therefore avoiding risk of challenge) that are required through use of collaborative agreements, providing support for use of tools to reduce human error and provide more robust and auditable tender to pay technology. In providing best practice guidance, delivering a capability assessment and assurance programme and delivering / facilitating extensive training activity for the sector, APUC assists the sectors' procurement community in being equipped to the maximum level possible to deal with the increasing challenges and risks that become part of procurement delivery across the sectors.

Moving forward, it is expected that the volatility that has impacted supply chains over recent months due to the Covid pandemic and Brexit, will continue for the foreseeable future. It is likely that even when impacts from these factors ease, that with increasing negative impacts and disruption from climate change, supply chain instability will become more the norm. It is key therefore that resilience is integrated into how we plan and manage our supply chains and that APUC maintains an appropriate degree of agility to enable it to adapt what it does, how it does it and how it manages the supply chain on behalf of member institutions.

Cost Impacts

APUC has substantially reduced its operating costs since its early years. Challenges to costs however continue to increase, APUC continues wherever it can to mitigate these as much as possible through detailed budget control and operational adjustments that seek to increase productivity. This includes for example dynamic reviews and adaptions to staff portfolios and the related role briefs to maximise efficiency and effectiveness of delivery.

The Covid pandemic has allowed organisations to explore a variety of new ways of working. This has led, as noted earlier, to APUC reviewing its post pandemic approach to several ways of working, including the volume of business travel being undertake, it has also reviewed its office accommodation needs leading to us now predicting savings once we establish new ways of working post-pandemic, these predicted savings have been included within the proposed budgets in this document.

As in previous years, several factors / impacts that are bringing increases to costs and / or increased demand for resources are considered in this budget. General market procurement salaries continue to increase (the market increases generally, and often also across the NHS and Local Authority sectors, are consistently, when taking into account cost of living and average automatic increments, beyond what we have paid or can afford to), with market salaries consistently increasing by circa 5% per year. APUC aims to mitigate these via several routes including the offering of wider career development opportunities and flexible working (flex start and end times, slightly compressed hours and now hybrid working as a new normal approach) for all staff. APUC has however suffered from a higher level of staff turnover than is ideal over recent months and years.

Although APUC cannot match the salaries / benefits paid by some institutions and competitor employers, it needs to be able offer sector comparable basic cost of living salary increases (to that in the HE/FE sectors), plus have the ability to make adjustments for promotion / merit / performance in order to as far as possible, match salaries to performance and development. Within the proposed budget for this process, a slight increase per year (2.5% cost of living increase and a budget of 1% for targeted merit /promotion increases for 2022/23 and 2% and 0.5% respectively for 2023/24) had been included. Please note that APUC does not pay any automatic-increment based increases.

Taking all of the above into consideration alongside the Benefits / Outcomes noted below, to deliver the objectives of the new strategy in a lean an effective manner, the funding required for the 2022/23 AY actually equates to circa 1.7% less than the original budget for the 2021/22 AY, and circa 1.9% more than the reduced (to take advantage of savings form reduced travel due to Covid etc) budget for 2021/22 AY. The increase into the 2023/24 AY then equates to an increase of circa 1.7%.

To summarise, the efficiencies we plan to achieve from implemented and planned changes, mainly around the new ways of working, mean that the budget, even for the 2023/24 AY, is lower than the pre-Covid budget for the 2021/22 AY.

Process / Timings and Next Steps

The timing of this process is defined by the SFC needing to know what transfers as top-slice are required to come off the sectoral grants combined with the timings of potential business wind up if agreement on funding cannot be achieved. The APUC top-slice is understood to be unique, or at the least unusual, as a sector requested top-slice as opposed to the more normal SFC defined top-slice.

This year's timings therefore for the approval process for 2022/23 and 2023/24 AYs funding are:

Step 1 [Complete]	During w/c 17th January, this paper is distributed to the FCG. The FCG will ideally feedback by the 24th January whether they wish to have a meeting (either virtual and / or physical) to discuss the draft proposals and reach a consensus or if they are happy after any relevant email correspondence, to proceed to support the proposal and move straight to step 3.
Step 2 [Complete]	*If required only: D*uring w/c 31st January (or as soon as possible after), the Funding Consultation Group meet (physically or virtually) to discuss the proposed funding arrangements. At this meeting any changes suggested by the FCG are incorporated and a "Post FCG Dialogue" version of this document that contains the proposals that the FCG deem to be appropriate for the 2022/23 and 2023/24 years created if required. [update note: physical meeting has not been deemed to be required but the document has been updated based on feedback]
Step 3	By the 10th February, this document, updated, will be shared with the Principals of Scotland's Universities and Colleges. The Chairs of SUFDG and the Finance-CDN will share the proposals as / if they feel appropriate with their membership community and liaise with them in gathering any feedback, it is for the FCG members to decide whether any feedback should be acted on or not. Any comments, queries or observations, if deemed appropriate, will be requested to be sent back to the FCG members by 18th February.
Step 4	The FCG shall between the 18th February and the 24st February, discuss any concerns (if any) raised jointly with the CEO of APUC and if there are any material issues, to agree a revised consensus on the budget. If any changes to the budget are required, the CEO shall organise for this to be done. The budget figure shall be adjusted as necessary and finalised.
Step 5	If the proposed changes are felt to be of material concern from an APUC Board perspective by the APUC Board members who partly form the FCG (e.g. requiring significant change to APUC beyond what is operationally manageable by its executive management team), the matters will be referred back to the full Board before being finalised.
Step 6	When the budget is finalised, APUC shall draft two communications on behalf of the FCG to provide the confirmation from the sectors to the SFC to recommend award of grant. The letters would then be issued by Universities Scotland (for Universities) and APUC & the College sector FCG members (for Colleges) on behalf of the sector members w/c 28th February and sent directly to the SFC. (as noted earlier, Colleges Scotland have a different brief to Universities Scotland)

(Note - the above timings are aligned to SFC agreed deadlines. If timings can be brought forward due to, for example, there being no need to meet, then that will be done as the SFC appreciate the earliest possible completion of the process)

Budget Funding Proposals for Academic Years 2022/23 and 2023/24

As mentioned earlier, this document contains the funding of the core team only - APUC is involved in various other activities which are either grant funded or funded directly by institutions (institutional shared services etc), this data is therefore extracted from the wider figures as such, to cover only the universal core service aspects. The relevant current year funding figures have been included for comparison.

The proposed funding for the next two academic years is as follows:

APUC Core Team Budget Aug 2022 to July 2024

Summary by expenditure type	2021-2022 Reduced (post covid impacts) budget for info	2022-2023 Budget	2023-2024 Budget
Staff salaries	£1,761,602	£1,862,495	£1,909,312
Non-executive directors' honorarium	£12,600	£12,600	£12,600
Staff dev, Recruit, H&S & Staff welfare	£98,468	£105,375	£101,724
Travel & expenses	£87,561	£82,990	£82,686
Office Srvs & eS Support costs	£245,037	£209,966	£218,920
Equipment & depreciation	£30,000	£20,000	£10,481
Property costs	£97,482	£82,900	£81,900
Professional fees	£10,976	£11,016	£11,176
Bank interest received	-£2,000	-£1,000	-£1,000
Total Core Team Budget	£2,341,725	£2,386,341	£2,427,799

Note on Company Reserves - For Information and Assurance

Due to there being limited or no room for material contingencies within APUC's operational budget, and no facility for APUC to call for additional funds in the event of unforeseen circumstances, claims, cessation of business or asset investment etc, it was requested by the APUC Board that the status of APUC's reserves versus the APUC Policy on Corporate Reserves is included in this document. This is so that the FCG can be assured that there is sufficient minimum reserves but also that reserves are not accumulated that exceed the APUC Policy on Corporate Reserves.

The full APUC Policy on Corporate Reserves is available on request to all relevant stakeholders. To summarise however, the policy requires APUC to hold reserves that generally equate, as a minimum, to three months running costs of the core team (not including Institutional Procurement Services), and a maximum of 6 months running costs, based on the "actual cash position" or "underlying reserves" as they are sometimes known (as opposed to the FRS102 reported reserves values which have adjustments for long term pension liabilities and year-end holiday accruals etc). The reserves values reported in November 2021 in the APUC annual accounts moving into the 2021/22 AY, were £850k (which equated to reserves of £628k under FRS102 reporting rules). APUC does not have any reason to assume that it will draw down any of these reserves before moving into the 2022/23 AY. In relation to the periods where this funding relates, the required reserves ranges should therefore be a minimum of £596k and a maximum of £1,193k for the 2022/23 AY and a minimum of £607k and a maximum of £1,213 for the 2023/24 AY. The expected reserves, while in the lower half of the desired range in both years, are not felt to be at a level where a value requires to be added to a funding request for the relevant years to maintain minimum required levels.

Formal Funding Request for 2022/23 and 2023/24 Academic Years

Based on the funding distribution approach agreed by the FCG, the split by sectors amounts to 50% (HE) and 50% (FE). The funding request therefore equates to a maximum level of £1,193,170.50 for each sector for 2022/23 and £1,213,899.50 for each sector for 2023/24. These figures should be considered a maximum. The funds for 2023/24 are not approved as such as this stage, they are potentially subject to review as set out on page 2.

Close to year-end each year, any in-year surpluses will be reviewed by the APUC Board. The Board will make a decision to allocate any operational surplus to either (1) corporate reserves (to ensure sustainable operational reserves are maintained), (2) to defer / allocate for purposes deemed to be appropriate by the Board that may not be possible to determine at this stage, or (3) use the funds to reduce the actual drawn down funding for the following year.

Annex A

Members of the 2022 Funding Consultation Group (FCG)

Name	Role	Sector	email
Jim McGeorge	University Secretary / COO, University of Dundee and Chair of APUC Board [& Chair of FCG]	University	J.McGeorge@dundee.ac.uk
Alan Ritchie	Director of Finance & Estates, West College Scotland & Chair of Finance CDN	College	Alan.Ritchie@wcs.ac.uk
Andy McGoff	Director of Finance & Operations, Edinburgh Napier University and Chair of SUFDG	University	A.McGoff@napier.ac.uk
Pete Smith	Vice Principal, Finance & Resources, NESCol & Director of APUC	College	Pe.Smith@nescol.ac.uk
Margaret Cook	Principal, Perth College UHI & Director of APUC	College	margaret.cook.perth@uhi.ac.uk
Janet Thomson	Vice Principal, Resources and College Development at Glasgow Clyde College & Director of APUC	College	jthomson@glasgowclyde.ac.uk
Phil McNaull	Interim Director of Finance, University of Aberdeen (and NS-Director of APUC but interim SUFDG rep on APUC Board)	University	phil.mcnaull@abdn.ac.uk
Veronica Strachan	University Secretary, Robert Gordon University and Director of APUC	University	v.strachan@rgu.ac.uk
Angus Warren *[non voting]*	Chief Executive, APUC [coordinator of FCG]		awarren@apuc-scot.ac.uk