



WESSEX
GROUP
OF 6TH FORM
COLLEGES

WORKING IN HAMPSHIRE
PORTSMOUTH
SOUTHAMPTON

JOINT
PURCHASING &
SHARED SERVICES

8

JOINT PURCHASING & SHARED SERVICES

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This booklet describes a number of joint purchasing agreements initiated by the Wessex Group. It offers advice about making sure that benefits of joint procurement are maximised, both to the whole Group and to individual colleges. The foundations for the development of shared services are explored and an indication of some of the savings that have been made by the Group over time is provided.

The Wessex Group of Sixth Form Colleges¹ has been involved for a number of years in using its collective purchasing power to pin down better deals for member colleges. It has taken a number of approaches and made full use of existing peer groups of relevant staff to keep joint purchasing on the agenda. The savings that have been made as a result are considerable – running to hundreds of thousands of pounds each year across the partnership.

¹ Formerly the Hampshire Sixth Form Colleges' Partnership

SOME EXAMPLES

Joint purchasing arrangements have been made with a variety of suppliers to sixth form colleges in the partnership.

Suppliers	Discount	Other benefits
Exam boards	✓	Local in-house training because of access to large number of staff
Energy suppliers	✓ (through reduced costs)	Access to expertise which is often delivered locally
Payroll management	✓	Umbrella contract but with flexibility for individual colleges; rapid response to queries
Insurance	✓	Access to expertise; rapid response to queries/concerns
IT equipment	✓	Flexibly negotiated at time of need

INITIATING JOINT PURCHASING ARRANGEMENTS

The networks of staff within the partnership that meet regularly (see booklet 2) provide an ideal opportunity to exchange experiences about purchasing, to identify prospective large purchases and to share intelligence about offers and deals from suppliers. Two groups in particular

have initiated purchasing arrangements that capitalise on the bulk purchasing power of Wessex Group colleges. The Finance and Administration Group and the Principals' Group have both been involved in negotiating and monitoring contracts with suppliers to Wessex Group members.

CASE STUDY

Group insurance

Colleges in the Wessex Group felt the need for a jointly negotiated insurance contract. They wanted something which covered a group of colleges large enough to provide sufficient leverage, yet small enough to ensure that individual colleges could tailor their policies. Colleges within the Wessex Group had similar associated risks. Although the partner colleges do not offer exactly the same curriculum or have the same facilities and types of equipment, the risks were considered jointly by the insurer and the quoted premium was based on the collective risk. Colleges with a slightly higher risk than others benefited in this way, and the whole group benefited from a discount on the premium. Each college has an individual contract and is able to tailor its policy to suit individual circumstances. For example, one college might wish to set more money on governor liability than others.

Almost all colleges in the Wessex Group are part of the scheme which is negotiated on their behalf by a sub-group of the Finance and Administration Group. The insurance company meets with this group once a year to discuss risks, changes in insurance terms and to address any concerns. All colleges benefit from good access to advice and action from the company as they are seen as preferred customers. The company in turn has the benefit of having one set of negotiations to conduct and a reliable conduit for passing on information.

Although on the whole the joint purchasing arrangements lead to real and notional savings for the Wessex Group colleges, some arrangements have more of a focus on enhanced levels of service to the partnership as a **'preferred customer'**. For example, in addition to some discounts or rebates, the Principals' negotiations with **exam boards** have led over time to:

- Exam board experts attending curriculum support groups
- Presentations and seminars on current issues facing the sector
- Training vouchers for national training events
- Free in-house training events for multi-college audiences through Curriculum Support Groups
- Customer hotline
- Regular exam board surgeries in colleges

Colleges in the Wessex Group are not obliged to take part in agreements negotiated collectively. A few opt out of specific deals. The group for any particular agreement or contract can therefore vary and indeed some non Wessex Group colleges have also joined in to take advantage of joint purchasing arrangements. The important point is that the existence of a ready-made group is critical in opening negotiations.

The ready-made audience of multiple colleges and the availability of established network meetings as a platform for disseminating information and updates are attractive benefits for the boards. They also see an opportunity to grow business and ensure that decision makers have key information when making curriculum choices.

WHAT MAKES IT WORK?

Although the agreements with suppliers have been with the Wessex Group as a whole, their negotiation has often allowed the contracts to be **sufficiently nuanced** to allow the specific requirements of individual colleges to be catered for (see previous page). This has meant that colleges can see the benefits of pursuing joint supplier agreements, rather than worry that the downside of the discount would be a 'one size fits all' service.

The Wessex Group has a joint contract with a **payroll** provider which then supplies a very slightly different service for each college. The joint purchase allows for a good price to be negotiated, yet colleges are able to access a service which meets their own particular needs.

At the point of tendering the Finance and Administration Group hears presentations from a number of providers – who are all keen to talk

directly to a potential major customer and offer a discount. Once the choice has been made, colleges are able to define the specifications for their own payroll systems, for example whether or not to run the system wholly on-line, off-line or both.

The Finance and Administration Group has joint purchasing as a **standing agenda item**. This allows the group to flag up when large purchases are planned by a college so that others are given an opportunity to approach suppliers as a group. This has worked well, for example when several colleges were planning major IT purchases. A number of IT companies offered deals on the basis of a group discount and the colleges involved were able to negotiate the price down.

The group also regularly **shares information** and data about suppliers and providers of services. In this way market intelligence is strengthened within the group and negotiations,

both individually and collectively, are conducted from a position of knowledge and understanding. The **time spent** negotiating with providers is reduced because sub-groups of senior staff negotiate on behalf of the partnership colleges. One Vice-Principal noted that he spent far less time on contracts than he would do if were handling all college contracts on his own – and he was getting a better deal.

TIPS

- Share out the negotiating tasks among the group so that expertise and time is used effectively
- Push for scope to customise within the main agreement
- Make use of regular networks/ meetings as negotiating platforms
- Build up a collective body of market intelligence by sharing tips and information about providers and suppliers
- Keep decisions at an operational level

Finally, on the whole, the Wessex Group's negotiations with providers and suppliers are conducted at an operational level. They minimise the need for involvement of college strategists – who would need to be involved if, for example, college autonomy were to be compromised by a uniform agreement. This keeps the decision loop small and ensures that negotiations are not protracted.

SOME OF THE LIMITS TO JOINT PURCHASING

The Wessex Group has considered joint purchasing arrangements across a wide range of suppliers and providers. It is not always possible to negotiate an effective arrangement, despite leverage from the size of the purchasing consortium. Some attempts have failed because:

- the profit margins for particular products/services are small and providers are reluctant to offer discounts
- some discounts are at the expense of flexibility and customised services
- benefits do not outweigh disadvantages eg long-term contracts.

A NEW APPROACH TO ENERGY PURCHASING

The Birmingham University Energy Consortium acts as an **energy broker** for the Wessex Group. Instead of a contract to supply energy at a time when existing contracts run out, the Energy Consortium advises Wessex Group colleges (and others) about the best time to buy energy, following expert analysis of the energy markets. One college alone saved around £20,000 from its fuel bill as a result of this service. Although this is not strictly a joint purchasing arrangement, it does illustrate how the existence of the Wessex Group and its networks has helped foster a better understanding of the potential savings available – and motivates the Group to act.

WHERE NEXT?

The establishment of joint purchasing and group discount arrangements can sometimes provide a launch point for more integrated provision – ie **shared services**. Certainly the partnership has developed services that are jointly used, for example joint leadership development (see booklet 4).

There could be potential for more joint services and a group of colleges within the partnership is examining ways of developing shared support and other services (see booklet 2) by developing a more formalised agreement between partners. The sub-group is investigating effective ways of shared delivery for finance, human resources management, academic registry, MIS data management, procurement, examinations, recruitment, quality systems, curriculum design, electronic archiving, property management, overseas opportunities, library management, student services, marketing and curriculum delivery.

This could be an important way of maximising resources in the future. However, there are a number of issues that need serious consideration before embarking upon a collective provision agenda.

- Careful attention would need to be paid to the **work flow patterns** for shared staff so that peaks are covered for all participating colleges
- Agreements about **confidentiality** and commercial sensitivity would need to be negotiated in order to maintain effective partnerships
- Data sharing could lead to **data protection** issues and sector-wide advice will be needed
- When working as a shared service provider, it is important that all colleges benefit and that there are no 'lead' providers – otherwise **VAT** is payable on those providing a particular service to others in the group
- **Different types of providers** may offer more scope for shared services. Issues of competition and joint peak demands may be less than for similar providers. Working with local schools and universities might provide as many interesting options as working with similar institutions

SAVINGS

Some examples

The kind of savings that have been generated within the Wessex Group via joint purchasing can be very significant. In recent years, an exam fees rebate payment of over £100,000 pa across the whole partnership has been made. Colleges saved up to £23,000 pa each in 2010 on insurance premiums (based on variance from open market rates). It has been calculated that if the Wessex Group was not buying insurance as part of a consortium, the additional costs would be between 18% and 24%, albeit within the context of a very good claims record.

A joint purchasing deal on IT equipment saved one college £26,000 and another over £54,000. One college reported a reduction of around £9,000 in its energy bill, another £17,000 savings and yet another £20,000 following the joint approach to energy purchasing.

Payroll management has provided savings to each college of around £6,000 pa and although these savings are relatively small, Wessex Group colleges value the shared service and preferred customer access to expertise and help.

The use of partnership college representatives at provider meetings also saves the cost of all colleges attending.

"The key point is that we've done a lot to support a realistic and sensible approach to procurement where it is a win/win scenario for everyone concerned."

Chair of Finance and Administration Group



WORKING IN HAMPSHIRE
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