

Title: Value for Money (VfM)**Type:** Policy**Purpose:** The purpose of this document is to set out the College policy for ensuring and reporting on value for money.**Scope:** This policy applies to Governors and staff**Responsibility:** Deputy Principal & CFO**Legal Context:** Legal Context Procurement legislation**Concept of Value for Money**

Value for Money (VfM) is a term used to assess whether or not an organisation has obtained the maximum benefits from the goods and services it acquires and provides, within the resources available to it. Some elements of VfM may be subjective, difficult to measure, intangible and misunderstood and judgment is therefore required when considering whether VfM has been satisfactorily achieved or not. VfM not only measures the cost of goods and services, but also takes account of the mix of quality, cost, resource use, fitness for purpose, timeliness and convenience to judge whether or not, together, they constitute good value.

The College is committed to ensuring value for money from its operations for both students and taxpayers. Students should receive value for money when they experience the full benefits of education – both during their studies and afterwards – in exchange for the effort, time and money they invest. Taxpayers should also receive value for money from the public money and student fees which need to be efficiently and effectively used to deliver value added to students, from all backgrounds, who contribute to society and the economy. This is particularly relevant for higher education courses to ensure the investment in graduates gives value for money.

Achieving VfM is also often described in terms of ‘the three Es’ – economy, efficiency and effectiveness:

- Economy – minimising the cost of resources for an activity (the price we pay).
- Efficiency – How efficient we are at turning inputs into output or process efficiency (the way we do things).
- Effectiveness – what we achieve and the extent to which objectives are met (doing the right things).

Effectiveness is considered to be the most important of the three ‘Es’.

In many areas of activity there is purported ‘good practice’ or ‘best practice’, although again this is subjective. In general terms, the college wants to adopt such best practice or develop its own, where it is appropriate to its own circumstances. Adoption of such best practice is a recognised way of not only achieving VfM but also of demonstrating that VfM has been sought and achieved.

The College is committed to the pursuit of economy, efficiency and effectiveness as part of its corporate and academic strategies. It seeks to adopt good practice and incorporate VfM principles in all its activities. In reviewing VfM cost is measured as the whole life cost (WLC) of a product or service. VfM not only measures the cost of goods and services but also takes account of the mix

of cost with quality, resource use, and fitness for purpose, timeliness and convenience to judge whether or not, together, they constitute good value.

The College will refer to projects and actions as related to VfM as 'Best Use of Resources'.

1. Objectives

The College is committed to:

- Integrating VfM principles within existing management, planning and reviewing processes
- Adopting recognised good practice where this makes sense.
- Benchmarking the institution's activities against other similar activities and organisations where this is considered useful.
- Responding to opportunities to enhance the economy, efficiency and effectiveness of activities.
- Promoting a culture of continuous improvement.
- Ensuring that all staff recognise their continuing obligation to seek VfM as part of their routine activities.
- Delivering the relevant priorities within the strategic plan.
- Support of the Social Value Act 2012 where applicable.

2. Framework of Control

The College identifies several areas of control aimed at securing VfM including:

- Measuring and evaluating learners progress, success rates and satisfaction.
- Business planning, including clear definition of objectives and targets.
- Use of contribution and 'value added' analyses.
- Comparison of results with benchmark figures or those achieved by similar organisations.
- Financial Regulations and Financial Procedures including competitive tendering arrangements.
- Budgetary control systems.
- Procurement.
- Internal and external audit feedback from audit work.
- Undertaking specifically identified VfM reviews and projects in response to the outcomes of the above.

3. Responsibility

The responsibility for achieving VfM lies with Governors, managers and staff and is not restricted to those with resource or financial responsibilities.

The Governors are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds are not put at risk.

The EMT has overall responsibility to put arrangements in place to ensure that VfM is obtained.

Managers have the executive responsibility to maintain an awareness of good practice in their own area of operation and to ensure that these are followed appropriately.

All staff should endeavour to seek and achieve VfM in all activities and to bring to management's attention any opportunities for improvement.

The Audit and Risk Committee has the responsibility to advise the Corporation on the adequacy and effectiveness of the College's arrangements for securing economy, efficiency and

effectiveness (VfM). They also ensure value for money from the internal and external audit services.

Internal Audit will be asked to identify any potential VfM issues or good practice as part of their internal audit assignments.

4. Reporting

The Corporation received regular information on value for money indicators many of which are on the Governor’s dashboard. Reporting will consist of an annual report which will provide comparison of key indicators extracted from management information and other sources with an overall conclusion. These fall into two categories:

- College indicators in a time series.
- Sector indicators. These may also be a subset of the sector most similar to the College i.e. General FE Colleges in the West Midlands.

The covering report for Corporation papers will also include a financial implications section which includes value for money/benchmarking data.

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