

Policy	Finance 3
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VALUE FOR MONEY POLICY

1.0 INTRODUCTION

- 1.1 This policy expresses how the College recognises its responsibility to achieve value for money (“VFM”) from all of its activities, regardless of the method of funding.

2.0 SCOPE

This policy aims to:

- Integrate and enable the adoption of VFM principles within existing management, planning and review processes;
- Adopt recognised good practice where this makes good sense;
- Ensure that, mainly through the internal audit process, VFM studies are conducted on areas of activity identified as worthy of review;
- Provide the framework to benchmark the College’s activities against other similar activities and organisations where this is considered useful;
- Provide the opportunity to enhance the economy, efficiency and effectiveness of activities;
- Promote a culture of continuous improvement;
- Ensure that financial savings for the College will be achieved without compromising any aspect towards the quality of service delivery;
- Provide evidence to both internal and external observers, that the achievement of VFM is sought in all activities undertaken; and
- Communicate to staff the recognition of their continuing obligation to seek VFM for the College as part of their routine activities.

3.0 LINES OF RESPONSIBILITIES

- The responsibility for VFM lies with all members of staff within Edinburgh College and is not restricted to senior management or those with financial responsibilities.

- The Executive Team is responsible for implementing arrangements that will ensure VFM is being sought.
- Managers have the responsibility to be aware of good practices 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 or financial savings.

4.0 KEY PRINCIPLES

THE CONCEPT OF VFM

- "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 judgement 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.
- Achieving VFM is also often described in terms of "the three E's" – economy, efficiency and effectiveness :-
 - **Economy** – minimising the cost of resources for an activity ("doing things at a low price")
 - **Efficiency** – performing tasks with reasonable effort ("doing things the right way")
 - **Effectiveness** – the extent to which objectives are met ("doing the right things")
- 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, 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 main benefits of promoting VFM are :-
 - **The clarification of objectives** – VFM principles give managers a framework with which to assess the objectives of an activity. A VFM assessment should demonstrate that the activity fits in with the College's strategies and objectives and should maximise the chance of achieving the

desired ends without unnecessary expenditure and effort.

- **Planning** – Application of VFM principles ensures that the activity is planned.
- **Openness and transparency** – Properly documented planning and assessment helps provide a demonstration of achieving propriety as well as VFM.
- **Compliance with statutes and regulations** – Application of VFM principles at the planning stage should consider, and therefore ensure, compliance with statutes and regulations.
- **Risk assessment** – As inadequate risk assessment can lead to poor VFM, application of VFM principles at the planning stage should help ensure that appropriate risk assessment of the activity has been carried out.

THE ACHIEVEMENT OF VFM

- An assessment of value for money can be achieved in a number of ways. For example :-
 - through benchmarking
 - through competitive tendering/seeking of alternative quotations
 - by using performance indicators (including use of the balanced scorecard)
 - through conducting VFM studies
 - by seeking out and considering the adoption of “best practice”
 - through internal audit work
 - through the retention of planning and VFM assessment documentation
 - by reviewing the outcomes of an activity.
- There is no single way of demonstrating VFM and indeed the decision regarding whether VFM has been achieved is subjective. However, by planning and implementing activity in accordance with VFM principles, we can demonstrate that we have acted in the appropriate manner required of a publicly funded organisation.

6.0 SPECIFIC POLICIES/RELATED DOCUMENTS

- Procurement Policy
- Procurement Strategy
- Financial Regulations
- Balanced Scorecard

7.0 EFFECTIVE DATE

- This policy is effective from 12 February 2013 and supersedes all previous policies and policies related to this subject. This policy will be reviewed every three years, or earlier if changes affect it in any way.