

# THE STIRS COLLABORATIVE

## VALUE FOR MONEY POLICY



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## VALUE FOR MONEY

Value for Money (VFM) is the term used to assess whether or not an organization has obtained the maximum benefit from the goods and services it acquires, within the resources available to it. It not only measures the cost of goods and services, but also takes account of the mix of quality, cost, resource use, sustainability, fitness for purpose, timeliness and convenience to judge whether or not, when taken together, they constitute good value. Achieving VFM may be described in terms of the 'Three Es' Economy, Efficiency and Effectiveness:

I. Economy: doing less with fewer resources i.e.: spending less;
II. Efficiency: doing the same as before, but with fewer resources (money, staff, and space) i.e.: spending well;
III. Effectiveness: doing better than before with the same resources as now (or less) i.e.: spending wisely.

It is not uncommon for VFM to be viewed as obtaining the lowest price or cost but VFM is a broader process than this and the Partnership aims to achieve outcomes that also recognize the efficiency of processes and functions and their effectiveness. These need to be delivered within the values of the institution, including sustainability, paying the living wage and pursuing fairness and equality in its supply chain.

There will be occasions where quality outcomes are more important than price and in any such cases, this decision will be endorsed by the Chief Operating Officer with the support of the Executive Director if the level of expenditure warrants it.

There are multiple drivers for value for money, including responding to cuts in funding, meeting the expectations of staff and students, delivering excellent service and accountability for public funds.

## OBJECTIVES TO ACHIEVE GOOD VFM, WE SEEK:

I. To integrate VFM principles within existing planning and review processes and embed the pursuit of economy, efficiency and effectiveness within operational management;
II. To embed VFM principles within all procurement activity, ensuring the most suitable strategy is used for all procurement, considering local suppliers where appropriate and ensuring the level of competition is appropriate to the contract value;
III. To respond to opportunities to enhance the economy, efficiency and effectiveness of activities and adopt recognized good practice where this makes sense;
IV. To undertake VFM studies in areas of activity identified as worthy of review and apply the lessons learned to other areas of the Partnership;
V. To promote a culture of continuous improvement;
VI. To ensure that all staff recognize their continuing obligation to seek VFM for the institution as part of their routine activities;
VII. To benchmark our activities against other similar activities and organizations where this is considered useful.

## OUR COMMITMENTS ARE TO:

I. Adopt recognized good practice in relation to VFM;
II. Simplify wherever possible;
III. Avoid duplication of effort;
IV. Cut out ineffective processes where safe to do so;
V. Redefine processes and roles and, critically, commission supporting technology;
VI. Aim for consistency of processes and 'single source of truth' for data;
VII. Implement appropriate changes to processes without regard to the current organizational boundaries;
VIII. Monitor performance against agreed objectives.

## Governance and Management

Responsibility for pursuing value for money lies with all staff in the Partnership but in terms of formal governance and management structures the following roles have been agreed:

I. The Board of Governors will have a responsibility to ensure that there are sound arrangements in place for risk management, control and governance, and for economy, efficiency and effectiveness as part of its broader duty to keep under review arrangements for managing all the resources under its control.

II. The Finance officer is designated by the Board of Governors as responsible for satisfying the governing body that the conditions of assurance and accountability are being satisfied.

III. The Audit Committee will receive assurance during the year that adequate systems and procedures are in place to promote economy, efficiency and effectiveness. It will maintain an overview and reach independent judgments on the partnership's/sponsors value for money arrangements. Its annual report will include its opinion on the arrangements for promoting economy, efficiency and effectiveness.

IV. The Management Team is the partnership's/sponsor formally constituted senior management team and is responsible to the organization for the operation of the partnership including the use of key performance indicators, risk management and value for money activities. It will submit an annual report on VFM to the Audit team;

V. Budget holders have responsibility for reviewing and maintaining good practice in their own area of operation;

VI. All staff will endeavor to seek and achieve VFM in all activities and to bring to management's attention any opportunities for improvement;

VII. The Finance Officer will have particular responsibility for ensuring that the arrangements described above operate effectively.

## Audit

Value for money considerations will form an integral part of the routine work of the internal auditors but they will also be asked to undertake specific value for money studies where appropriate.

## Purchasing Team

The Purchasing team will operate value for money procedures in the oversight of all the Partnership's procurement and report on it via the Finance Officer on a timely basis.

## Review

The Value for Money Policy will be reviewed by the Audit Committee every three years.