

Audit Committee Meeting

Date of Meeting	Tuesday 3 October 2017
Paper Title	Annual review of the Value for Money Strategy
Agenda Item	18
Paper Number	AC1-N
Responsible Officer	Jim Godfrey, Interim Finance and Resources Director
Status	Disclosable
Action	For Noting

1. Report Purpose

1.1. This paper provides the annual review of the Value for Money Strategy.

2. Recommendations

2.1. The Committee is invited to **note** the annual review.

3. Background

3.1. The Financial Memorandum between the Scottish Funding Council and GCRB requires GCRB to have a strategy for reviewing systematically management's arrangements for securing value for money (paragraph 23).

3.2. The Committee's terms of reference give it an advisory role in relation to the internal control environment, of which value for money is part.

3.3. The Board approved the Value for Money Strategy in October 2016.

4. Review of Strategy

4.1. The strategy describes the overall approach. This strategy has been reviewed and no significant changes are proposed. Minor updates have been reflected within the strategy provided at Annex 1.

4.2. The mechanisms for ensuring that value for money is realised are shown within Annex 2 and Annex 3. The commentary details the actions taken in relation to the running cost and programme budgets.

5. Risk Analysis

5.1. The strategy is designed to raise awareness of the importance of securing value for money and thereby reduce the risk of GCRB making decisions that represent poor value for money.

6. Legal Implications

6.1. There are no specific legal implications arising from this paper.

7. Resource Implications

7.1. There are no specific financial implications arising from this report. However, the implementation of this strategy will help to ensure that resources are used in an efficient and effective manner.

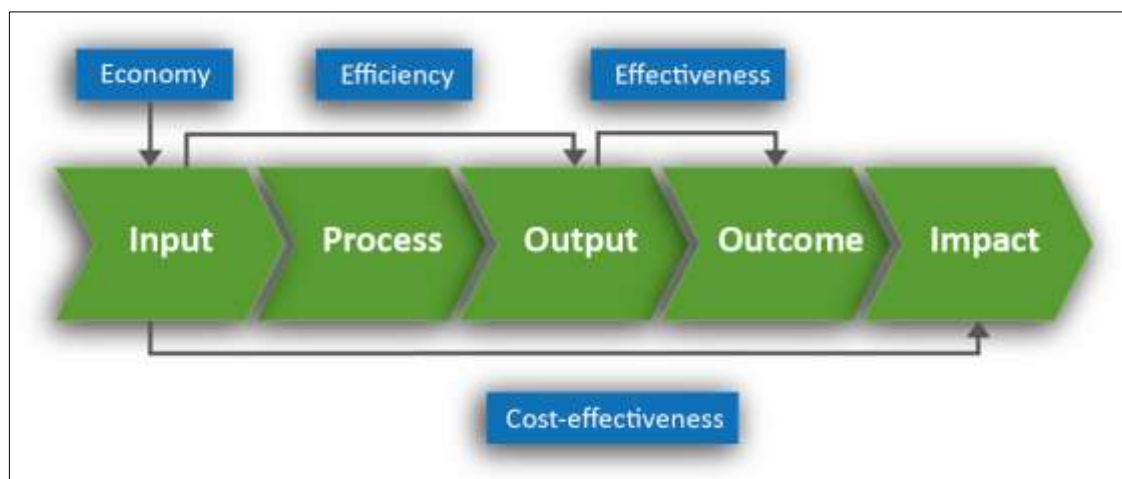
8. Strategic Plan Implications

8.1. GCRB is required to conduct its affairs in accordance with the expected standards of good governance, which include establishing appropriate arrangements in relation to value for money.

Value for Money strategy

Background

- Value for Money is the term widely used to assess whether or not an organisation has obtained the maximum benefit from the goods and services that it acquires and/or provides to others. In the public sector, VfM is about ensuring that an organisation gets the best possible deal from public expenditure. It is often expressed in terms of:
 - Economy - minimising the cost of resources, while having regard to quality
 - Efficiency – maximising the use of those resources
 - Effectiveness – ensuring that the resources are used to achieve their objectives and make an impact.



- There are various requirements placed on GCRB to use its resources in an economical, efficient and effective way, and promote and achieve VfM; most of these derive from the Public Finance and Accountability (Scotland) Act 2000. The Auditor General for Scotland also has the authority to carry out examinations into the economy, efficiency and effectiveness with which GCRB has used its resources in discharging its functions.

How do we achieve Value for Money?

- Because of the diverse nature of the work of GCRB – and because much of the effectiveness of our funding is achieved through the assigned colleges – it is not appropriate to have a single framework for promoting, achieving and measuring VfM. Instead, we will seek to embed VfM in our operations through a variety of routes:

- Integrating VfM principles within our planning, management, decision-making and review processes, particularly in regard to any project or decision with financial implications – in other words, always asking the questions: *Are our objectives and plans clear? Will they deliver Value for Money? Did they deliver Value for Money?* We will include a definition of the value for money aspects in our plans for projects and create a standard value for money assessment sheet for projects.
 - Using risk management to assess the financial risks: Is there a risk this will result in poor Value for Money? How can we mitigate the risk?
 - Building efficient regional structures: How can we develop needs-based regional funding arrangements which both support regional strategic goals and make efficient use of resources?
 - Complying with relevant legislation and regulation: Have we met all the legal and regulatory requirements?
 - Adopting good practice wherever appropriate: Are we demonstrating good practice in the use of our resources?
 - Being open and transparent: Can we demonstrate publicly that we are using resources in an economical, efficient and effective manner?
 - Working with others: Are there opportunities to work with other public bodies to achieve Value for Money?
 - Communicating with staff: Are all staff aware of the need to use GCRB resources in an economical, efficient and effective way and achieve Value for Money at all times?
 - Continuous improvement: Learning from evaluation of past investment decisions
4. In practical terms, we take different approaches towards VfM in the use of our running costs budget (our operational budget) and our programme budget (our budget for funding the assigned colleges).

Value for Money in our use of GCRB's running-cost budget

5. GCRB's gross running-cost budget for 2017-18 is £436,000. There are three main areas where we seek to promote and achieve VfM:
- Procurement of goods and services
 - Human resources
 - Shared services
6. Annex 1 to this paper provides a brief description of our approach to VfM in each of these areas.
7. We will use a range of methods for assessing our performance in achieving VfM, including our use of internal audit, and indices of our overall efficiency as a public body (for example, our expenditure on running-costs as a percentage of programme funds). We will also seek to be open to scrutiny by publishing details of our running-cost expenditure on the specific areas required by the Scottish Government.

Value for Money in our use of GCRB's programme funds

8. GCRB's programme funds budget will be around £80 million per annum (and around £100 million if student support funds are included). The main mechanisms that we will use to promote, achieve and monitor VfM are:
 - Financial Memoranda with the assigned colleges
 - Assurance processes in relation to internal control
 - GCRB's progress monitoring arrangements
 - Setting of regional strategic ambitions and priorities
 - Outcome Agreement process
 - Our funding methodologies
9. GCRB also has the statutory power to undertake VfM studies in the assigned colleges.
10. Annex 2 to this paper provides a brief description of our approach to VfM in each of these areas. The assigned colleges also have their own mechanisms for promoting, achieving and monitoring VfM, including the employment of professional procurement staff, shared services, and their use of internal audit.

Value for Money in our use of GCRB's running-cost budget

Activity	Commentary
<p>Procurement of goods and services:</p> <p>GCRB is subject to the provisions of the Procurement Reform (Scotland) Act 2014, the main purpose of which is the achievement of better VfM.</p>	<ul style="list-style-type: none"> • Very few goods and a small number of services and a small number of services are procured by GCRB. • A number of services, for example Internal Audit, have been subject to competitive tender. • Other services, e.g. catering, are procured via contracts that have been subject to a competitive tendering process by others. • A small number of services have been procured without being subject to competitive tender and we will aim to ensure that these services are procured via a public contracts framework subject to competitive tender in 2018.
<p>Human resources:</p> <p>Expenditure on Staff¹ is the largest item of expenditure and accounts for 80% of GCRB's running-cost budget.</p>	<ul style="list-style-type: none"> • GCRB became fully operational on 1 April 2017 and a new staffing structure was approved by the Board. • Interim arrangements were implemented pending recruitment to the post of Director of Finance & Resources. • The salary costs for the structure have been agreed by the Board following extensive scrutiny by the Nominations and Remuneration Committee. The Nominations and Remuneration Committee used comparable benchmarking data and also commissioned an independent study by Korn Ferry.
<p>Shared services:</p> <p>We continually look for opportunities to deliver VfM through shared</p>	<ul style="list-style-type: none"> • We are working in partnership with the assigned colleges and are grateful for a range of support services that are provided without charge. GCRB is grateful for the support provided in

¹ Including the Board Secretary and Board Chair

<p>services with Scottish Government or other public bodies and through partnership working.</p>	<p>the following areas:</p> <ul style="list-style-type: none">• Serviced Accommodation provided by City of Glasgow College.• IT/Network Services and Support provided by City of Glasgow College.• Financial Payments/Processing Services provided by City of Glasgow College.• Payroll Processing/HR Advice provided by Glasgow Clyde College.
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Value for Money in our use of GCRB's programme budget

Mechanism	Commentary
Financial Memoranda with the assigned colleges	<ul style="list-style-type: none"> • Our financial memoranda requires the assigned colleges to achieve VfM, and be economical, efficient and effective in their use of public funding. This includes the requirement for the assigned colleges to: <ul style="list-style-type: none"> ○ Have a strategy for reviewing management's arrangements for securing VfM ○ Seek from its internal audit a comprehensive appraisal of management's arrangements for achieving VfM. • The performance of the assigned colleges is monitored by reviewing the assigned colleges' internal and external audit reports and audit committee annual reports.
Strategic Planning and Outcome Agreement process	<ul style="list-style-type: none"> • Our regional strategic plan for college education places significant emphasis on creating 'regional added value' through the development of efficient regional structures which enable us to collectively achieve more for less. • Our Outcome Agreement process is designed to establish clearly the outcomes expected from the Region in return for public funding. The targets set are deliberately ambitious to maximise the effectiveness of that funding. • Regional and institutional performance, primarily against the Regional Outcome Agreement, is monitored through the Performance and Resources Committee.
Our funding methodologies	<ul style="list-style-type: none"> • Our funding methodologies are designed to achieve VfM and are reviewed periodically to ensure that they remain fit-for-purpose. • For example, a new Capital Funding Policy was approved by the Board in May 2017. Furthermore, during the Committee's deliberations on the capital funding proposals they identified areas of commonality between individual college bids. As a result, a joining procurement exercise is now taking place

	<p>between Glasgow Clyde College and Glasgow Kelvin College to procure almost £1m of network infrastructure.</p>
<p>Efficient Government initiative</p>	<ul style="list-style-type: none"> • The Scottish Government expects every public body to deliver efficiency savings and to report publicly on the actions undertaken and the results achieved. The Scottish Funding Council collects, collates and reports on the efficiencies achieved by the college and university sectors, including those generated by the work of APUC. Ministers have confirmed that the 3% annual efficiency target for public bodies is applicable for 2017/18. • GCRB has received, and reviewed, Procurement & Commercial Improvement Programmes (PCIP) for the assigned colleges. The PCIP evaluation was undertaken at the end of 2016.