



Richmond upon  
Thames College

# Value for Money Policy

Responsibility of:  
Date of Approval:  
Review Cycle:

VP Finance  
September 2020  
Every 3 years or as required

## **Definition**

Value for Money (VFM) is defined as:

“An appraisal of the performance of the organisation in seeking to secure economy, efficiency and effectiveness in the use of the resources at its disposal.”

## **Policy Statement**

Richmond upon Thames College (RuTC) is committed to the pursuit of economy, efficiency and effectiveness as part of its corporate and academic strategy. The College will seek to adopt good practice and incorporate VFM principles in all its activities, however they may be funded.

## **Scope**

- 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.
- Communicate to staff the recognition of their continuing obligation to seek VFM for the college as part of their routine activities.
- This policy should be read in conjunction with Financial regulations.

## **The Concept of Value for Money**

- a) ‘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.

b) 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 (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)

c) 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.

d) 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.

### **Responsibilities**

***The responsibility for VFM lies with all members and staff of the College and is not restricted to those with resource or financial responsibilities.***

### **Governing Body**

The Governing Body is 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.

It discharges this responsibility:

a) through reports it receives from management on the financial implications of key decisions and the financial performance of the College.

- b) through the Audit and Risk Committee (ARC), which has in its terms of reference a duty to advise the Governing Body on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (VFM). ARC receives reports from the Internal Audit Service on:
- the efficiency and effectiveness of the operation of controls;
  - reports arising from specific VFM studies which are agreed as part of the Annual Audit Plan.

### College Managers

Managers in all areas of the College, not limited to those with financial responsibilities, are responsible for:

- ensuring that systems, processes and procedures are designed to achieve strategic objectives whilst obtaining value for money;
- ensuring that all courses are assessed for financial viability and that those which do not provide financial or educational VFM are removed from the curriculum as soon as possible;\*
- ensuring that the College has an efficient and effective staffing structure to facilitate the achievement of its strategic aims;
- benchmarking the College's activities against other similar organisations where this is considered useful and practical;
- maintaining an awareness of good practice in their own area and adopting recognised good practice where appropriate;
- promoting a culture of continuous improvement where staff also seek to save money wherever possible.
- ensuring that financial regulations and other systems, processes and procedures are adhered to;
- responding to opportunities to enhance the economy, efficiency and effectiveness of activities;
- ensuring that all staff recognise their continuing obligation to seek VFM as part of their routine activities and in particular their procurement processes

\*: the CEO and Principal reserves the right to cancel courses when numbers fall below a certain level (usually less than 10 learners)

### All Staff

Staff employed by, or under contract to RuTC must:

- adhere to financial regulations and other systems, processes and procedures;
- endeavor to seek to achieve VFM in all activities;
- bring to the attention of managers any opportunities to improve value for money.