Value for Money Policy

Introduction
1. The University recognises its responsibility to achieve value for money (VFM) from all its activities, however they may be funded. The University, in common with other higher education institutions (HEIs), is committed to the pursuit of economy, efficiency and effectiveness as part of its corporate and academic strategy. The University will seek to adopt good practice and incorporate VFM principles in all its activities, and undertake reviews at suitable frequencies to ensure that VFM is demonstrated.

2. VFM is a term used to assess whether, or not, an organisation has obtained the maximum benefit from the goods and services it both acquires and provides, within the resources available to it. Some elements may be subjective, difficult to measure, intangible and misunderstood. Judgement is, therefore, required when considering whether VFM has been satisfactorily achieved or not. It 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 Es' - economy, efficiency and effectiveness:
   (i) economy - minimising the cost of resources for an activity ('doing things at a low price');
   (ii) efficiency - performing tasks with reasonable effort ('doing things the right way'); and
   (iii) effectiveness - the extent to which objectives are met ('doing the right things').

3. This Policy is fully endorsed by the Council and the University’s Senior Officers. It will be reviewed on an annual basis to ensure it is in line with the University’s objectives and that it encompasses all its activities.

Aims
4. To achieve good VFM, the University has set itself the following aims:
   (i) to integrate VFM principles within existing management, planning and review processes, particularly in regard to projects or activities with significant financial implications;
   (ii) to adopt recognised good practice where this makes sense and provides benefit to the University;
(iii) to undertake, or commission, VFM studies on areas of activity identified as worthy of review;

(iv) to benchmark the University’s activities against other similar activities and organisations where this is considered useful;

(v) to respond to opportunities to enhance the economy, efficiency and effectiveness of activities;

(vi) to promote a culture of continuous improvement;

(vii) to demonstrate actively, to both internal and external observers, that the achievement of VFM is sought in all activities undertaken;

(viii) to ensure that all staff recognise their continuing obligation to seek VFM for the University as part of their routine activities; and

(ix) to strive to be recognised by other HEIs as a centre of excellence in meeting the aims of this Policy.

Responsibilities

5. Under the Financial Memorandum between HEIs and the Higher Education Funding Council for England (HEFCE), and also the HEFCE Audit Code of Practice, all HEIs have a clear responsibility to obtain VFM. Although this is usually an aim of all organisations, it is of particular significance to those that receive public funds. Virtually all HEIs receive a significant proportion of their income from ‘public’ sources, including grants, fees and charitable income. An HEI’s assets and other income invariably would not exist without that public income. It is in the University’s own interest to treat all income by the same standards that it treats public income.

6. In general terms, the Council is responsible for the VFM that is obtained from the activities undertaken. The Council is reminded annually of this through the ‘members’ responsibility’ statement in the University’s annual financial statements. In practice, the responsibility for VFM is largely (and properly) delegated to the University’s Officers.

7. The Audit Committee, in particular, has a defined duty with regard to VFM. The HEFCE Audit Code of Practice requires the Committee to state formally in its annual report to the Council whether, or not, it is satisfied with the arrangements in place to promote VFM. The University’s Audit Committee should oversee a VFM strategy, prepared by Senior Officers, which shows what approach they have adopted to satisfy the Council’s responsibility for VFM. It then becomes appropriate for the Senior Officers to provide a formal report to the Audit Committee each year describing, in summary terms, how the VFM strategy has been implemented. This report, and the internal audit annual report, should be made available in time to inform the preparation of the Audit Committee’s annual report, and to inform the Council’s approval of the annual financial statement which contains the ‘members’ responsibility’ statement.

8. The University’s Senior Management Team (the M Group) has the executive responsibility to put in place arrangements that will ensure VFM is being sought.
The M Group (and the Clerk of the Council and the Secretary of the Audit Committee) has a responsibility to keep the Council and Audit Committee advised of VFM issues (for example, the publication of relevant advice or reports).

9. The M Group will approve responses to VFM studies conducted by HEFCE and the National Audit Office (NAO) and monitor any follow-up action required. HEFCE carries out sector-wide VFM studies. The NAO also investigates subjects relating to HE. The M Group will receive such reports, in addition to the Division/Institute concerned, and will approve the University’s response to the report. It will also seek to benchmark the University’s performance against these reports.

10. The internal and external VFM studies will enable the M Group to establish a comprehensive record of VFM initiatives being pursued across the University and to monitor their progress. This will provide the evidence necessary to demonstrate to HEFCE and other external observers that the University is committed to VFM.

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

12. To help discharge these responsibilities, the M Group will adopt the role of a VFM steering group. The role of the M Group will be to provide advice and direction on VFM matters, as well as overseeing the implementation of this Policy across the University. Specific responsibilities for the M Group can be found in Appendix C of this Policy.

13. All officers have the executive responsibility to maintain an awareness of good practices in their own area of operation and to ensure that these are followed appropriately, within available resources and in line with the University’s objectives.

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

**Embedding VFM Principles**

*Integration*

15. VFM must be a routine part of the decision-making process at all levels of management throughout the University. This is particularly important in planning or reviewing activities with significant financial implications. The M Group will seek assurance that VFM considerations are being given due implication in key areas of expenditure and will raise any concerns through the appropriate decision-making processes.

16. As part of the integration of VFM into routine decision-making, Divisions/Institutes will be asked to submit a brief report on the application of VFM principles annually within their business plans, detailing measures to improve economy, efficiency and effectiveness, and quantifying any financial benefits. Reports should draw attention both to existing activities that demonstrate continuing VFM and to new opportunities for improving VFM. The M Group will need to be satisfied that VFM issues are being adequately addressed and that all major areas of expenditure, including staff costs, are being properly scrutinised.
17. Divisions/Institutes are well placed to identify opportunities for achieving greater VFM within their areas of responsibility. They will know what measures are likely to be effective, having regard to their particular circumstances and needs, and how to enlist the support and co-operation of staff.

18. The M Group will take the lead in promoting the sharing of good practice throughout the University, where this has implications for VFM. The adoption of good practice is one way of demonstrating that VFM has been sought and achieved. Where this is identified and potentially applicable in another Division/Institute, this will be appropriately communicated.

Benefits
19. Rather than acting on assumptions about what is currently carried out and produced, VFM principles provide officers with the opportunity to undertake a proper assessment of the objectives of an activity. This will maximise their chance of achieving the desired ends without unnecessary expenditure and effort. An assessment should also demonstrate that the proposed activity fits in with the University’s objectives and policies. Where this does not happen, an activity is, by definition, not achieving what the University has set out to do.

20. Through properly documented planning and assessment (maintaining an audit trail), and the adoption of open processes involving all interested parties, staff can publicly demonstrate a commitment to achieving propriety as well as VFM. This is increasingly important in a world of growing accountability and responsibility, and is absolutely essential for the University whilst receiving public funds. The University has responsibility to show that it operates honestly, fairly and without bias.

21. The University needs to comply with legal and other associated requirements. By adopting and being able to demonstrate good practice, the risk of failing to identify and comply with such requirements is significantly reduced.

22. All activities have risks attached. Incorporating risk management principles of identifying, evaluating and putting in place appropriate mitigation can contribute towards VFM. Although it is often not necessary to undertake a full risk assessment for every activity, an inadequate risk assessment, particularly for significant activities, can result in poor VFM.

Methods
23. An assessment of VFM can be achieved in a number of ways, for example:
   (i) through benchmarking an activity against similar activities in other organisations or institutions;

   (ii) by using performance indicators;

   (iii) through conducting VFM studies (possibly in conjunction with other HEIs);

   (iv) by seeking out and then adopting recognised good practice where this can be adapted to the University’s circumstances;

   (v) through internal audit work; although internal audit has a primary
responsibility for assessing the internal control system, the internal auditors are frequently well placed to assess and comment on VFM in the areas reviewed. This should be reported in individual audit reports and in the internal audit annual report;

(vi) through retaining documentation that show how an activity has been planned to build in VFM, and evidence of the good practices adopted; and

(vii) by examining the results or outcomes of an activity.

24. It is clear that conducting VFM studies is not the only way to show a commitment to VFM. Existing management practices that seek to integrate VFM principles and the active promotion of a culture of continuous improvement are two alternative approaches. Conducting a VFM study does not, in itself, demonstrate VFM; this is dependent on the result of the study and on any action taken in response to its findings. Details on undertaking an individual VFM study is attached as Appendix A.

25. VFM studies are frequently undertaken in conjunction with other organisations. This enables comparisons to be made (including the use of benchmarking techniques) and each can draw upon good practice identified elsewhere. There is no right answer as to who should undertake a VFM study. The people involved in a study should, between them, have a basic range of skills, including an understanding of VFM study methodology and project management, and knowledge of the subject. They may be internal staff or external experts. Internal auditors also often have the knowledge, skills and experience to contribute to such work.

26. HEFCE has a specific responsibility for VFM and conducts studies under arrangements approved by a VFM steering group, which includes sector representatives. It also publishes advice which can be used as a self-assessment tool. The outcomes of the VFM studies are published with guidance, which generally promotes self-assessment by management, although the work can be done by the internal auditors, or any other appropriate person.

Areas of Activity
Areas of Common Consideration for VFM Activity
27. The list of areas, set out below, of common consideration for VFM activity is not intended to be exhaustive, but is provided for illustration. Some areas may have a potential for cost saving and others can be relatively straightforward to review or market test. Ideally where high spend areas or known efficiencies are identified, these should form the concentration of effort towards deploying VFM activity.
<table>
<thead>
<tr>
<th>CATERING</th>
<th>ENERGY</th>
<th>ENTERTAINING</th>
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| • Alternative forms of provision  
• Staff costs  
• Supplies  
• Income recovery/charging policy | • Alternative sources  
• Consumption/conservation | • Alternative forms of provision  
• Accommodation charges  
• Catering charges |

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<tr>
<th>ESTATES</th>
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<th>INSURANCE</th>
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<td>SYSTEMS</td>
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| • Maintenance cleaning  
• Grounds maintenance  
• Space management  
• Building project Facilities management | • Purchase versus leasing  
• Technical support (central/local)  
• 'Ownership' (central/local)  
• Disaster recovery  
• Update/replacement policy | • Competitive tendering  
• Costs versus risks |

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<tr>
<th>LIBRARY</th>
<th>PHOTO</th>
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<tr>
<td>SERVICES</td>
<td>COPYING</td>
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</table>
| • Staff costs  
• Income recovery | • Equipment rental  
• Usage  
• Income recovery  
• Paper contracts | • Central contracts  
• Competitive tendering  
• Academic equipment purchases |

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<tr>
<th>RESEARCH</th>
<th>SECURITY</th>
<th>SPORTS FACILITIES</th>
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| • Management of contracts  
• Purchase and ownership of assets  
• Purchase and ownership of resulting work  
• Intellectual property rights/royalties/patents/technology transfer | • Asset protection  
• Alternative forms of provision  
• Outsourcing | • Alternative forms of provision  
• Income recovery  
• Staffing and maintenance  
• Charging policy |

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<tr>
<th>STAFFING</th>
<th>STOCK CONTROL</th>
<th>STUDENT</th>
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<td>ACCOMMODATION</td>
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| • Use of recruitment/temporary agencies  
• Personnel management policies, for example, sickness and absence management  
• Outsourced payroll | • Perishable goods  
• Stationery  
• Teaching consumables  
• 'Just-in-time' alternatives  
• Ordering volumes | • Alternative forms of provision  
• Charging policy  
• Income collection  
• Cleaning and maintenance  
• Laundry services |
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<tr>
<th>TELEPHONES</th>
<th>TRANSPORTATION</th>
<th>TREASURY MANAGEMENT</th>
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<tr>
<td>• Line and equipment rentals</td>
<td>• Vehicle purchase versus leasing</td>
<td>• Investment returns</td>
</tr>
<tr>
<td>• Call charges</td>
<td>• Vehicle usage</td>
<td>• Cash flow management</td>
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<tr>
<td>• Usage</td>
<td>• Servicing and maintenance</td>
<td>• Banking services, eg,</td>
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<tr>
<td>• Income recovery</td>
<td>• Replacement policy</td>
<td>use of BACS, on-line</td>
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<td></td>
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<td>banking</td>
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**Implementation of the Policy**

28. To enable this Policy to be effectively implemented it is important to identify the tasks required and to formulate an appropriate action plan. Based upon the options available for the University for VFM activities, the Audit Committee will select actions from the list below to be included in the approach adopted by the University. An action plan to oversee the implementation will be created and reviewed by the Audit Committee for its successful implementation. Potential choices of action to be included in the approach are detailed below:

(i) instigating into the business-planning process a standard (an example should be provided on the minimum text to be included) section to be completed within Divisions’/Institutes’ business plans;

(ii) getting visible ownership and agreement from the M Group, the Audit Committee and the Council;

(iii) communicating to staff the Policy and how it is conjoined with the University’s objectives;

(iv) agreement of the M Group to adopt the role of a VFM steering group;

(v) the M Group to create clear terms of reference and include VFM as a regular agenda item;

(vi) minutes to be kept of the M Group’s discussions on VFM to provide a clear audit trail;

(vii) the M Group to receive all reports on benchmarking and best practice studies being carried out across the University;

(viii) consideration should be given for creating a ‘cost code’ specifically for VFM studies that can be bid for by Divisions/Institutes;

(ix) VFM activity to be included in performance management systems as an item for appraisal for managers;

(x) project appraisal procedures to include a section on how projects are adhering to VFM principles;
(xi) a programme to be prepared on an annual basis of extracting specific VFM activities from business plans, and using as a tool for ongoing monitoring by the M Group;

(xii) the use of the internal auditor, or a self-appraisal, to provide an annual end-of-year assessment on the effectiveness and compliance towards VFM across the University;

(xiii) the M Group to contribute towards the assurance statement based upon its oversight throughout the course of the year;

(xiv) where appropriate, existing policies and procedures/staff handbooks to be updated to reflect VFM principles.

**Reporting**

29. Reports of VFM reviews will normally be prepared by an *ad hoc* working group established by the M Group to oversee individual projects. This working group will usually submit agreed reports to the M Group for comment. All reports and any action arising from them would normally be agreed with the line manager(s) in the area reviewed and set out in an action plan. The action plan should include:

   (i) the recommendations (or other opportunities for improvement);

   (ii) a management comment;

   (iii) a date by which agreed actions are to be implemented (or at least implementation started if the task is long-term); and

   (iv) the name of the officer responsible for implementation.

30. The M Group can report the results of its work and key findings to the Audit Committee if it considers this to be necessary.

31. The M Group will submit brief details of its activities and findings to the Vice-Chancellor annually. The Vice-Chancellor will use this information to submit a brief annual report to the Audit Committee. This report will draw attention both to activities that continue to demonstrate continuing VFM, and to opportunities for improving VFM.

32. The Secretary of the Audit Committee may include an item on VFM issues for each Audit Committee meeting. This could include any items derived from the M Group, internal audit, Senior Officers, or from any other relevant source.

33. In its annual report to the Council, the Audit Committee will state whether, or not, it is assured that satisfactory arrangements have been put in place by Senior Officers to promote economy, efficiency and effectiveness (this is a mandatory requirement of the HEFCE Audit Code of Practice). The report will need to be available in time for the Council’s review of the annual financial statements.
APPENDIX A

Undertaking VFM Studies

A typical VFM study might involve the following activities:

**Background Work**
(i) Review existing information, relevant reports, internal audit work, good practice guidance;
(ii) meet relevant staff and discuss area of activity;
(iii) determine whether or not to proceed with study;
(iv) establish working group with appropriate staff and independent chair, and prepare terms of reference; and
(v) define objectives and scope of work and prepare project plan.

**Conducting the Study**
(i) Collect facts from internal and external sources, including comparative statistics, performance indicators and benchmarks as appropriate;
(ii) review and consider results with working group;
(iii) develop recommendations or identify opportunities for improvement; and
(iv) agree draft report with management and complete an action plan.

**Reporting**
(i) Report findings on a continuing basis to working group;
(ii) report findings on a continuing basis to the M Group and seek approval for action required where appropriate.

**Follow-Up**
(i) Confirm actions implemented as agreed;
(ii) confirm achievement of improvements; and
(iii) report results to interested parties as above.
APPENDIX B

Role of the M Group for VFM Matters

The role of the M Group is to:
(i) promote a culture of continuous improvement throughout the University;

(ii) where specific areas are considered for VFM attention, review the results of the initial information-gathering exercise, and determine where there is scope for review;

(iii) prioritise activities for which there is scope for review, taking into account institutional priorities;

(iv) monitor VFM developments from all sources to ensure that an appropriate response can be made to new opportunities as they arise;

(v) implement a plan of VFM studies - which may be conducted internally, externally, or by the internal auditors (with the approval of the Audit Committee) - and benchmarking exercises; working groups may be established for this purpose;

(vi) consider any VFM reports from the HEFCE, the National Audit Office, the internal audit service and any other relevant source, and take appropriate action on their recommendations;

(vii) monitor the implementation of any studies undertaken. This will include ensuring that agreed recommendations are implemented, and assessing the outcomes to see whether better VFM has been achieved (eg through financial gains or better quality). Monitoring will also include following-up all reviews after an agreed interval (the ultimate measure of the value of a VFM study is the extent to which the improvements identified are achieved);

(viii) ensure that market testing of all externally contracted services is properly conducted by line management at the agreed frequency, and consider other market testing opportunities;

(ix) encourage the adoption of good practice in all areas of the University by all appropriate means, and review the reasons for not adopting recognised good practice in any area; and

(x) review existing performance indicators on key elements of the University’s activities to contribute to its assessment of economy, efficiency and effectiveness.
### Self Appraisal for VFM Activity in the University

<table>
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<th>Item</th>
<th>Good Practice</th>
<th>Response</th>
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| 1 | **Overall Aims and Objectives**  
**Aims and Objectives should be set out to ensure that any consideration of VFM relates to the goals of the service or department.** | | |
| 1.1 Are the overall aims and objectives of the Division/Institute clearly specified and documented? | Departments’/Institutes’ aims and objectives will be set out in their most recent plans. | |
| 1.2 Has a Division/Institute strategy been determined, including short-term and longer-term objectives (budgetary and financial expectations, operational delivery)? | Recruitment and research income targets are set for each academic Division/Institute through the planning and budgetary process. Longer-term strategy is addressed through the Senior Officers’ planning process. | |
| 1.3 Is responsibility for management of the Division/Institute clearly identified and documented? | Heads of Divisions/Institutes have overall responsibility, with delegated responsibility to others for particular areas such as admissions, examinations, postgraduates, research direction, health and safety etc. How is this documented? | |
| 1.4 How is this overseen? | There is scrutiny by the relevant committees. | |
## 2 Policies and Procedures

Policies and procedures, if well drafted, will promote VFM by encouraging economy, efficiency and effectiveness.

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<th>Item</th>
<th>Good practice</th>
<th>Response</th>
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| 2.1  | Are policies and procedures in place?  
a) University level  
b) Institute level  
c) Divisional level | Policies and procedures at University level are set out, for example, in the Student Rules and Regulations booklet, Staff Handbook and Human Resources website. Divisions/Institutes, where applicable, should set out their own policies and procedures, which work towards economy, efficiency and effectiveness. | |
<p>| 2.2  | Are the policies and procedures updated on a timely basis? | All University policies etc. for students and staff are reviewed and if necessary revised each September. Divisions/Institutes should set out the revision procedures for their own policies. | |
| 2.3  | Are the policies and procedures formally approved by any relevant University committee? | Policies and procedures at University level are approved by Council, M Group, etc. Divisions/Institutes should set out the approval procedures for local policies and procedures, eg by committee. | |
| 2.4  | Are University staff aware of the policies, procedures and responsibilities relating to this area? | New recruits receive full induction process identifying policies and procedures. | |
| 2.5 | Have the risks associated with the Divisions’/Institutes’ activities been identified and appropriate mechanisms put in place to address them? | Risks are considered and addressed through risk management process, which is annually. |</p>
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<th>Item</th>
<th>Good practice</th>
<th>Response</th>
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<tr>
<td>3.1</td>
<td>Does the Division/Institute have key financial and operational targets, and if so, what are they?</td>
<td>Financial targets are set through the planning and budget process, including income, eg research and teaching. Recruitment and other operational targets are set through the planning process.</td>
</tr>
<tr>
<td>3.2</td>
<td>How is non-salary expenditure decided on and monitored? How are goods and services procured? Is the budget spent wisely?</td>
<td>Divisions/Institutes should set out decision-making and review procedures for non-salary spend. Purchasing plans should be centrally reviewed on an annual basis.</td>
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<tr>
<td>3.3</td>
<td>What are the key performance indicators (KPIs) by which the performance of the Division/Institute is assessed? Are comparisons made with other HEIs or sector norms? Are the KPIs focussed on service delivery? Has use of KPIs been owned by relevant members of staff?</td>
<td>KPIs may include research income per FTE, teaching income per FTE, PhD students per FTE, research overheads, degree classifications, widening participation statistics, the cost and profitability of running particular academic programmes, etc. Many of these indicators are collected and available centrally. In some cases, for example retention and WP rates, data is compared with HEFCE KPIs, expenditure may be compared with HESA data.</td>
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<tr>
<td></td>
<td>Question</td>
<td>Answer</td>
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<tr>
<td>3.4</td>
<td>Is the necessary information available and is performance monitored by managers?</td>
<td>Information systems cover finance, student data and performance, research publications etc. [What are the gaps?] Heads of Divisions/Institutes review the data.</td>
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<tr>
<td>3.5</td>
<td>Is performance reported to the relevant committee?</td>
<td>Performance is reported to committees, M Group, Council, etc.</td>
</tr>
<tr>
<td>3.6</td>
<td>Is there a mechanism for obtaining feedback from users and is action taken in response to user requests?</td>
<td>Student evaluation of courses and services provides feedback.</td>
</tr>
<tr>
<td>Item</td>
<td>Good practice</td>
<td>Response</td>
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<tr>
<td>4.1</td>
<td>Has the Division/Institute been subject to formal review in the last one or two years?</td>
<td>Division/Institute reviews, internal audit reviews, QAA, etc.</td>
</tr>
<tr>
<td>4.2</td>
<td>Is the Division/Institute subject to regular internal or external audit?</td>
<td>Academic Institute reviews include external and internal audit, grant audits, HEFCE, NAO, QAA etc.</td>
</tr>
<tr>
<td>4.3</td>
<td>Where actions are identified following a review or inspection, are they taken in a timely way?</td>
<td>Reports are monitored at the appropriate committee.</td>
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