

Audit and Assurance Committee Meeting

Date of Meeting	Tuesday 10 October 2023
Paper Title	Value for Money Strategy – Annual Review
Agenda Item	12
Paper Number	AAC1-H
Responsible Officer	Jim Godfrey, Finance & Resources Director
Status	Disclosable
Action	For comment

1. Executive Summary

- 1.1. The report below provides an opportunity for the committee to undertake an annual review GCRB’s strategy on value for money.

2. Recommendations

- 2.1. The Committee is invited to **review**, and **comment** on, GCRB’s value for money strategy.

3. Report

- 3.1.** The financial memorandum between the Scottish Funding Council (SFC) and GCRB requires GCRB to have a strategy for reviewing systematically management's arrangements for securing value for money (paragraph 23). The financial memorandum has been subject to review by the Scottish Government, and SFC, for several years but there is no further information on when a revised version will be published.
- 3.2.** To assist with this process, a value for money strategy was developed in 2016. The strategy has been updated at regular intervals to reflect changing circumstances.
- 3.3.** The Audit and Assurance Committee's terms of reference give it an advisory role in relation to the internal control environment, of which value for money is part. These arrangements are reviewed by the Audit and Assurance Committee on an annual basis. GCRB's arrangements, in respect of value for money, are also reviewed on an annual basis by the external auditor.
- 3.4.** In considering this value for money strategy this year, the Audit and Assurance Committee may wish to consider the recent reports of the internal auditor, including Influencing ROA Development (January 2023), Financial Sustainability and Funding Allocations (both October 2023).
- 3.5.** It is also worth noting that colleges, and the college region, have recently submitted their latest financial forecast returns. These returns cover the period 2021-22 to 2025-26 and have been considered by the GCRB Performance and Resources Committee.

4. Risk and Compliance Analysis

- 4.1.** The procedure 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.
- 4.2.** There are no legal, or compliance, implications identified in this report. However, through the conditions of grant associated with the regional outcome agreement, GCRB is required to conduct its affairs in accordance with standards of good governance, which includes appropriate arrangements to achieve value for money.

5. Financial and Resource Analysis

- 5.1.** By implementing arrangements to maximise value for money, GCRB will enhance the 'return' on the public money for which it is responsible.

6. Equalities Implications

- 6.1.** There are no equalities implications as a direct result of this report.

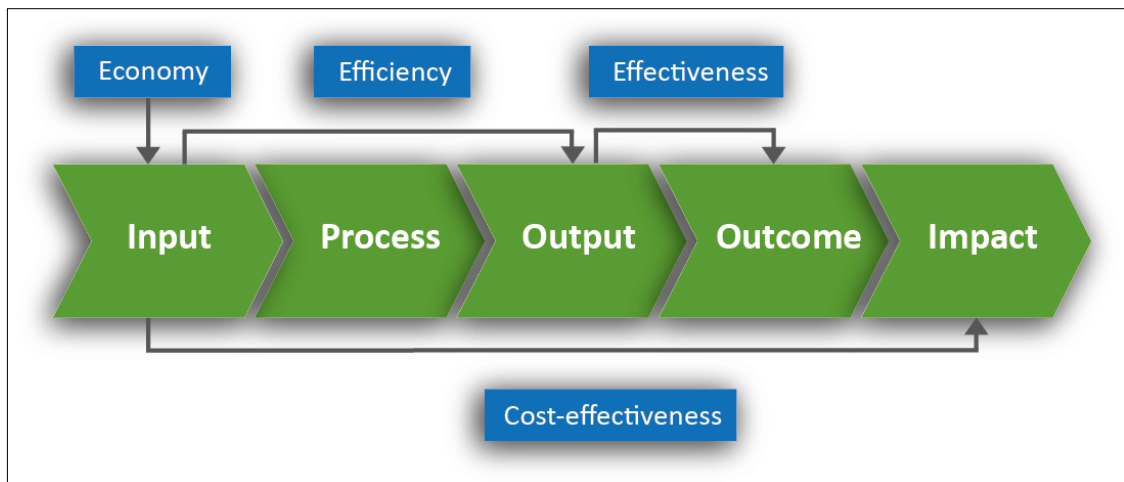
7. Learner Implications

- 7.1.** There are no direct learner implications of this report.

Value for Money (VfM) Strategy

Background

- 1 Value for Money (VfM) 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.



- 2 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?

- 3 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 VfM? Did they deliver VfM?* 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 VfM? How can we mitigate the risk?*
 - 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 collaborate with other public bodies to achieve shared benefits and better value?*
 - Communicating with staff: *Are all staff aware of the need to use GCRB resources in an economical, efficient and effective way and achieve VfM 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 2023-24 is £513,000. In addition to this, a sum of £445,000 has been set aside for regional collaborative projects. It is important to note that the running costs for GCRB (£513,000) are below the level estimated by the Scottish Government in 2013 (which would now be £680,000, after allowing for inflation). Annex 1 to this paper provides a brief description of our approach to VfM with regard to these budgets.
- 6 Expenditure on collaborative projects is designed to deliver services on behalf of the entire Glasgow College Region. The procurement of such services follows best practice, for example, by subjecting services to competitive tender.
- 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 the Glasgow regional budget

- 8 The funds managed by GCRB exceed £140 million per annum (including Capital and Student Funding). 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 the systems of internal controls within the assigned colleges.
 - GCRB's progress monitoring arrangements including the Regional Outcome Agreement.
 - 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, sharing services, and the use of internal audit.

Value for Money in our use of GCRB's running-cost and programme 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"> GCRB uses the shared procurement services for both Advanced Procurement for Universities and Colleges (APUC) and the Glasgow Region.
<p>Human resources:</p> <p>Staff is the largest item of expenditure in GCRB's running-cost budget.</p>	<ul style="list-style-type: none"> GCRB has an organisational structure appropriate for its duties and responsibilities. GCRB embraces the principles of the Public Sector Pay policy issued by the Scottish Government on an annual basis.
<p>Shared services:</p> <p>We continually look for opportunities to deliver VfM through shared services with Scottish Government or other public bodies and through partnership working.</p>	<ul style="list-style-type: none"> GCRB is supported by the three Glasgow colleges who provide a range of support services. For example, City of Glasgow College provide serviced accommodation and finance processing and Glasgow Clyde College provide HR/payroll services. GCRB, and other colleges, collaborate with HEFESTIS Ltd on the shared Data Protection Service.

Value for Money in our use of regional funds allocated to the assigned colleges

Mechanism	Commentary
Financial Memoranda with the assigned colleges	<ul style="list-style-type: none"> • Our financial memoranda will require the assigned colleges to achieve VfM, and be economical, efficient and effective in their use of public funding. We will also require 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. • We monitor the financial performance of the assigned colleges by reviewing: <ul style="list-style-type: none"> ➤ Annual reports of the internal and external auditor. ➤ Annual reports of the audit committee. ➤ Annual reports and financial statements. ➤ Financial forecast, and mid-year, returns. ➤ Monthly drawdown requests and cash flow forecasts. ➤ Bi-monthly flexible workforce development fund returns. ➤ Monthly EMA returns. ➤ Quarterly capital expenditure returns. ➤ Internal reviews e.g. student funding.
Outcome Agreement process	<ul style="list-style-type: none"> • Our Outcome Agreement process is designed to establish the outcomes expected in return for public funding. The targets set are deliberately ambitious to maximise the effectiveness of that funding. • We review regional, and institutional performance, primarily against the Regional Outcome Agreement, through the Performance and Resources Committee. • Annual FES/student data returns and audits thereof.
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.
Institutional Efficiency	<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. • Institutional Efficiency returns were submitted by each of the Glasgow colleges in September 2020. The Scottish Government has not sought further returns in the last three years. • The three Glasgow colleges, through the Glasgow Colleges Group, collaborate on a number of activities. Opinions differ as to whether the current level of collaboration is sufficient to achieve the regional objectives and financial sustainability.