

Audit Committee Meeting

Date of Meeting	Friday 7 October 2016
Paper Title	Annual Review of GCRB Value for Money Strategy
Agenda Item	18
Paper Number	AC1-N
Responsible Officer	Robin Ashton, GCRB Executive Director
Status	Disclosable
Action	For Approval

1. Report Purpose

- 1.1. This paper provides an opportunity for Committee members 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. 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.

4. Draft procedure

- 4.1. The attached procedure was developed in with reference to related documents from similar organisations, and approved by the GCRB Board in October 2016.
- 4.2. Pages 1 to 3 describe the overall approach and pages 4 and 5 provide more detail in relation to our running cost budget and our programme fund budget.

5. Risk Analysis

- 5.1. The draft 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 for money.

6. Legal Implications

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

7. Financial Implications

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

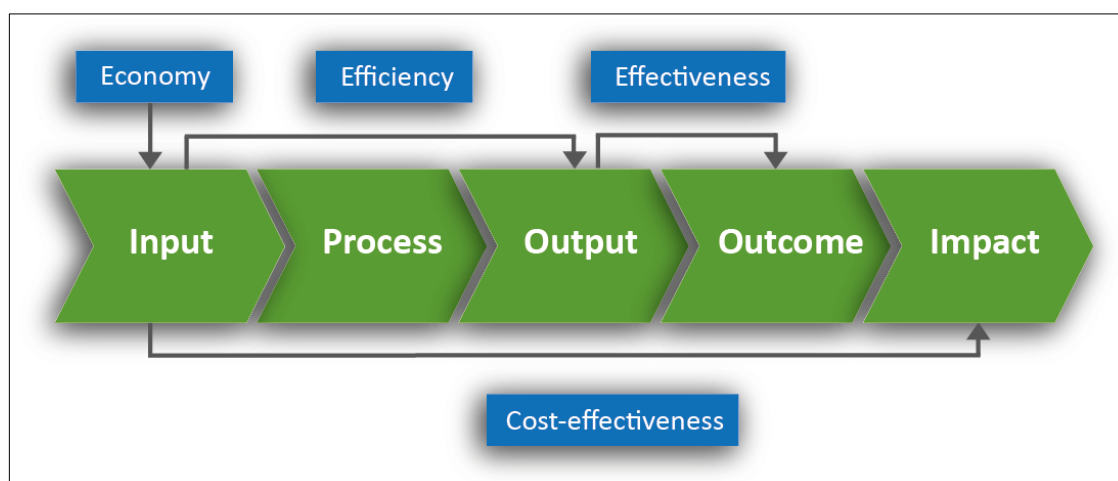
8. Regional Outcome Agreement Implications

- 8.1.** Through the conditions of grant associated with the Regional Outcome Agreement, 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?*
 - 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 2016-17 is around £260,000. There are four 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
 - 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"> • GCRB is accessing the shared procurement services for both Advanced Procurement for Universities and Colleges (APUC) and the Glasgow Region. • GCRB worked with APUC and City of Glasgow College on the procurement of internal audit services and with APUC via City of Glasgow College for the procurement of legal services.
<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"> • We are working closely with the three assigned colleges to source GCRB’s requirements on a partnership basis and thereby minimise the extent to which there is a requirements for a separate establishment. • In terms of GCRB’s actual staffing arrangements, we are seeking to align these as closely as possible with one of the assigned colleges and thereby avoid unnecessary duplication of HR policies and procedures.
<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"> • As noted above, we are maximising the extent to which GCRB’s services are provided by the assigned colleges, including: finance, facilities, HR, secretariat and IT.

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

Mechanism	Commentary
Financial Memoranda with the assigned colleges	<p>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:</p> <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. <p>We will monitor the performance of the assigned colleges by reviewing the assigned colleges' internal and external audit reports and audit committee annual reports</p>
Outcome Agreement process	<p>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. We will review regional and institutional performance, primarily against the Regional Outcome Agreement, through the Performance and Resources Committee.</p>
Our funding methodologies	<p>Our funding methodologies will be designed to achieve VfM and will be reviewed periodically to ensure that they remain fit-for-purpose.</p>
Efficient Government initiative	<p>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.</p>