

# LFA Procedure 1.4

## Value for Money

### 1. Introduction

Value for Money (VfM) is the expression used to measure whether or not an organisation has obtained the maximum benefit within the resources available to it, whether it is providing a service or obtaining goods and services. It not only measures cost, but also takes account of quality and fitness for purpose to determine whether goods and services represent good value. The National Audit Office and Office for Students (OfS) describes VfM in terms of the 'three Es' - economy, efficiency and effectiveness. The definition of the three Es is as follows:

- **Economy** - careful use of resources to save expense, time or effort.
- **Efficiency** - delivering the same level of service for less cost, time or effort.
- **Effectiveness** - delivering a better service or getting a better return for the same amount of expense, time or effort.

Furthermore, the Office for Students 2022-2025 Value for Money strategy is to promote value for money in the provision of higher education. We share their strategic objectives to ensure that all students, from all backgrounds, receive value for money. As well as seeking to ensure value for money for taxpayers.

- **Students** receive value for money when they experience the full benefits of higher education – both during their studies and afterwards – in exchange for the effort, time and money they invest.
- **Taxpayers** receive value for money when higher education providers use public money and student fees efficiently and effectively to deliver graduates, from all backgrounds, who contribute to society and the economy.

### 2. Aims

LFA aims to use the VfM approach throughout its process and practices by:

- Integrating VfM into decision making, planning and reporting
- Monitoring the achievement of VfM through reporting and benchmarking
- Ensuring that the principles of VfM are understood and that it is the responsibility of all staff to pursue VfM in the LFA's activities
- Ability to demonstrate that VfM is being achieved through improving teaching quality protecting students as consumers; increasing transparency; and securing positive employment outcomes.
- <https://www.officeforstudents.org.uk/media/336c258b-d94c-4f15-af0a-42e1be8f66a1/ofs-vfm-strategy.pdf>



### 3. Value for money arrangements

LFA recognises that it has a responsibility to deliver VfM from all its activities not only those funded by public money but from all other sources of funding. This VfM procedure sets out the LFA's approach and arrangements to achieve this.

LFA embeds VfM in its day-to-day activities by:

**a. Accountability:** LFA Governance Board is responsible for upholding VfM principle and supporting the culture of an open and receptive approach to VfM throughout the organisation

- The Risk Sub-Committee advises and reports to the Governance Board on VfM and has oversight of the VfM activities, which includes assessing the effectiveness of LFA VfM processes
- The Joint Principals are accountable for implementing policies and procedures on VfM as recommended by the RSC, on behalf of the Governance Board
- Heads of Departments are responsible for implementing and encouraging good VfM practice within their department.

**a. Policies and Procedures:** VfM considerations will be incorporated into policies and guidance will be developed to support the policies where appropriate.

**b. Business planning and budgeting:** The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored through the Governance Board. VfM considerations are taken into account as part of this process.

**d. Risk, Finance and Audit:** The Risk Sub-Committee reports to the Governance Board (GB) and alerts the GB on any emerging issues. In addition, the RSC oversees internal audit, external audit and management as required in its review of activities. The OfS Audit Code of Practice <https://www.universitychairs.ac.uk/wp-content/uploads/2020/06/CUC-HE-Audit-Committees-Code-of-Practice-doc-FINAL-260520.pdf> requires that the Risk Sub-Committee (which includes audit) state formally in its annual report to the Governance Board whether or not it is satisfied with the VfM arrangements in place. The RSC provides advice to the GB on the effectiveness of the LFA's VfM arrangements.

**e. Internal audit programme:** VfM considerations will be built into the internal audit programme.

**f. External audit:** External audit will include VfM considerations as part of the annual audit.

**g. VfM Studies:** From time-to-time VfM studies should be undertaken either internally or as part of a OfS, NAO or other study, where appropriate.

**h. Third party reports:** From time to time, the use of external consultants may be appropriate in VfM.

**i. Purchasing:** A major element in achieving VfM is obtaining the best quality goods and services at the most economic price. This is primarily achieved through the LFA's Purchasing Procedures and Procurement Services, whose aim is "is to help departments to maximise value for money at a time when budgets and resources are becoming increasingly stretched".



#### 4. Review

The Governance Board, advised by the RSC, will undertake an annual review to consider:

- whether VfM policies are effective in achieving the LFA's objectives with regard to VfM
- whether VfM considerations are embedded into ongoing operations
- the scope and quality of the monitoring of VfM including such elements as the effectiveness of internal audit and other assurance functions
- the incidence of any VfM failings or weaknesses identified at any point within the year and the financial impact that they have had or could have
- the effectiveness of the LFA's VfM reporting processes
- the effectiveness of the overall approach and policy to VfM and whether changes or improvements to processes and procedures are necessary.

