



Building Schools for the Future

A Toolkit for Effective Local
Education Partnerships

Practitioner Note 9:
Value for Money in Exclusivity

June 2009

partnerships **for schools**

building schools for the future

Value for Money in Exclusivity

Introduction and purpose

This Practitioner Note is one of nine that make up a Toolkit to support the successful set-up and operation of a Local Education Partnership (LEP). This note covers Value for Money in Exclusivity.

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Partnerships for Schools and Building Schools for the Future Investments (BSFI) continue to gather examples of good emerging practice from across the Building Schools for the Future (BSF) programme and we encourage and welcome conversations with local projects about how to make their BSF programme as effective as possible.



Value for Money in Exclusivity

Executive summary

After the initial procurement, demonstrating that the LEP continues to offer value for money during the operational phase is critical for the local authority on a number of levels, but particularly with regards a local authority's statutory obligations around public sector financial management. Any value for money assessment is likely to include the following components:

- **Cost** – is the cost appropriate and what was expected?
- **Quality** – what standards are being achieved?
- **Time** – is the pace of delivery as needed?
- **Volume** – are the right number of projects being progressed?

A value for money assessment will need to consider these criteria as a minimum to determine whether the LEP is delivering to the local authority's strategic objectives both for the LEP and the BSF programme with consideration to social and sustainable needs.

This should not be confused with the more contractually specific performance management information required from LEPs, particularly on a project-by-project basis which will support the LEP's continuing exclusivity through the Strategic Partnering Agreement

and underpin the progression of new projects through the Strategic Partnering Board (SPB) and local authority approvals processes.

This Practitioner Note is more focused on the former, namely how an assessment of the LEP's performance can be monitored, measured and managed at the programme level to ensure that it continues to meet the evolving strategic objectives of the local authority and other stakeholders.

In order to facilitate and support this "macro" perspective of the LEP, the performance management information will need to have the following features:

- to use a small, focused set of indicators covering core areas to highlight material changes and developments in performance;
- to be readily accessible and used by scrutinisers, decision-makers and stakeholders; and
- to be used as the basis for implementing meaningful incentives and sanctions to alter performance or re-align the LEP with changing priorities and projects.

Typically in this type of scenario, organisations use a "balanced scorecard" approach to identify, monitor and control the key elements and activities which will influence whether or not objectives and outcomes

are achieved. Many of the types of indicator that are likely to be useful will exist already in the suite of BSF documentation. They may however be being used at too granular a level or in combination with a number of other similar indicators. As a result, important trends or characteristics of LEP performance may not be obvious

The cornerstone of this approach to monitoring the effectiveness of the LEP and the value for money that it offers will be a clear articulation, in the pre-procurement phase of the project, of the role, scope and key characteristics of a successful LEP. Only the individual local authority will be able to do this and the process of articulation will be a useful parallel exercise to some of the strategic preparation outlined in Practitioner Note 1: Local Authority Strategic Planning.

In an operational LEP, an assessment of the effectiveness and quality of the partnering relationship in areas such as governance and partnering behaviours will be useful in providing an early indication that the LEP continues to deliver value for money, or, alternatively that some corrective action or adjustment is required. In other words, assessment of how the LEP goes about its activities will be a useful early warning system as to whether objectives and outcomes will be delivered.

What is value for money?

It is important for local authorities to articulate what value for money will look like in relation to their BSF programme at the Strategic Planning stage. It is likely that any definition of value for money will include the elements of (see Figure 1):

- **Cost** – is the cost appropriate and what was expected?
- **Quality** – what standards are being achieved?
- **Time** – is the pace of delivery as needed?
- **Volume** – are the right number of projects being progressed?

An assessment of value for money makes a comparative assessment of each of these elements relative to an appropriate set of benchmarks or comparator information. It is therefore important that the comparator information or benchmarks are valid and appropriate.

A typical value for money assessment will incorporate the elements of cost, quality, volume and time in a framework, as outlined above (Fig 1).

It is also important that a link is made between the way in which the four components of value for money combine and support project outcomes. The definition of value for money and its assessment should therefore begin with a strategic articulation of the purpose of the programme, including specific outcomes, to ensure that measurement and assessment is focused on the relevant and important aspects of successful delivery.

In defining value for money in a BSF project, it is important to identify outcomes that are measurable through robust and useful indicators which clearly link clearly to the ultimate objective (see Figure 2).

Without this being clearly articulated and understood, demonstrating and assessing value for money will prove challenging.

Figure 1: The Value for Money process

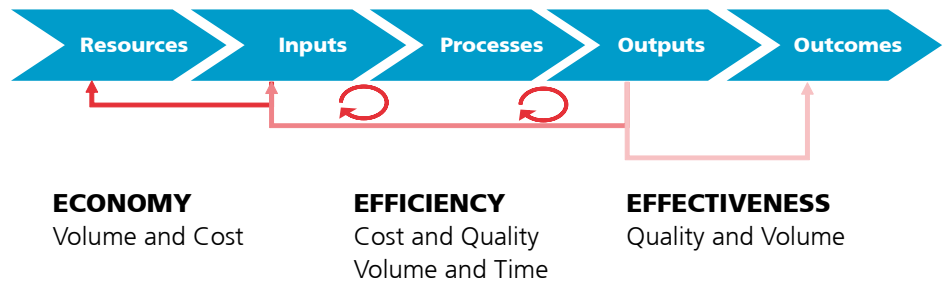
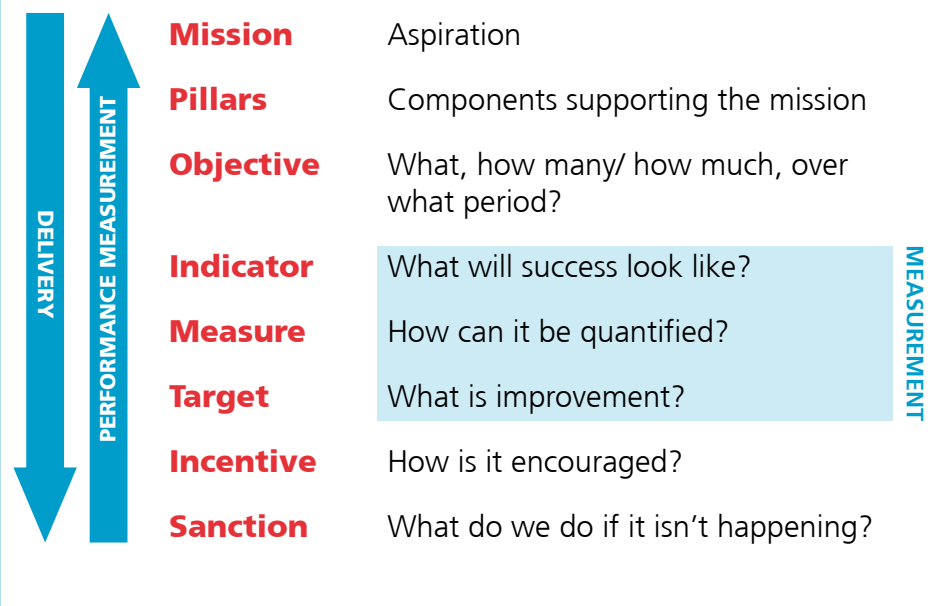


Figure 2



On an ongoing basis the value for money assessment is most useful if it can give an indication of where things are not working as well as they could or need to. The indicators used therefore need to focus on tangible and relevant areas that have a major impact on the LEP's later performance in terms of project objectives and outcomes. In other words, the effectiveness of process is a key area of evaluation.

This does not mean that some input based measures are not useful. Assessment of construction area rates on a programme the size of BSF where much of the funding is construction focused will of course always be important.

The challenge of demonstrating value for money in BSF projects

There are a number of issues which mean that the practical measurement and reporting of value for money needs to be carefully considered at the local project level.

- A range of issues must be taken into account when considering value for money. These include financial or cost bench-marking; assessment of how effective delivery processes have been; and assessment of the quality of outputs. Fundamental is the degree to which all of these factors support required outcomes. A common issue in a value for money assessment is to place too much emphasis on benchmark costs which appear to be hard, tangible and objective rather than other important features which may be more critical but also more subjective.
- One of the factors that will influence value for money in an exclusive partnership is the partners working together in a way which is collaborative and efficient. An element of organisational self-review can therefore be included, for example one part of the local authority could make an assessment

of another part's contribution in project delivery. Measuring value for money is therefore closely linked with effective partnering behaviours and governance structures and an assessment of value for money is likely to need to take account of the effectiveness of the partnership, as well as measuring what the partnership does.

- There is already a significant amount of performance management processes and information required by the BSF standard documents. This includes: Track Record KPIs; Collective Partnering Targets (CPTs); and Continuous Improvement Targets. While each indicator and measurement is individually valid, the number of indicators overall means that none is individually significant. This makes the identification of trends and any early indication that value for money may not be delivered more challenging.
- Many of the BSF performance management targets are contractual which may lead to a dilution of what could be a more stretching target or act as a disincentive to various stakeholders working together to achieve a greater level of outcome, change or improvement. At the programme level there is a role for shared targets which are not contractual.
- The BSF programme has a long delivery chain starting with DCSF and national policy expectations and cascading down through PfS, local authorities, schools, LEPs and their supply chains. Currently there is no discrete articulation of value for money that is recognisable at all levels of the delivery. This makes any discussion between members of the delivery chain of Value for Money and whether it is being achieved difficult.

Why is value for money important?

Typically a LEP procurement tests approximately 10%-15% of a BSF project's capital value through competitive procurement. Sitting alongside the test of detailed and specific projects, is a consideration of the broader skills, attributes and services that a potential partner could bring to the long-term partnering arrangement. The majority of each BSF project's capital will therefore be delivered through a process which is not directly competitive for each project.

For this reason, being able to demonstrate continuing value for money in the period of exclusive partnering is important. Procurement processes rely very heavily on the competition element as a proxy for ensuring value for money. In exclusive arrangements, all parties need to think about value for money in a different way:

- Public sector purchasers need to think about the obligations and "burden of proof" that regulations around public sector financial management place upon them, as well as the standard or quality that they are purchasing;
- Suppliers need to be aware of the sector in which they are operating, be sensitive to it and think about what they can do to demonstrate the value for money that they bring through exclusivity; and
- At a national programme level, PfS must take a view on value for money as future funding is approved during the exclusivity period – a perspective on the combined "value-for-money" performance of the local authority and the LEP would therefore be a useful barometer.

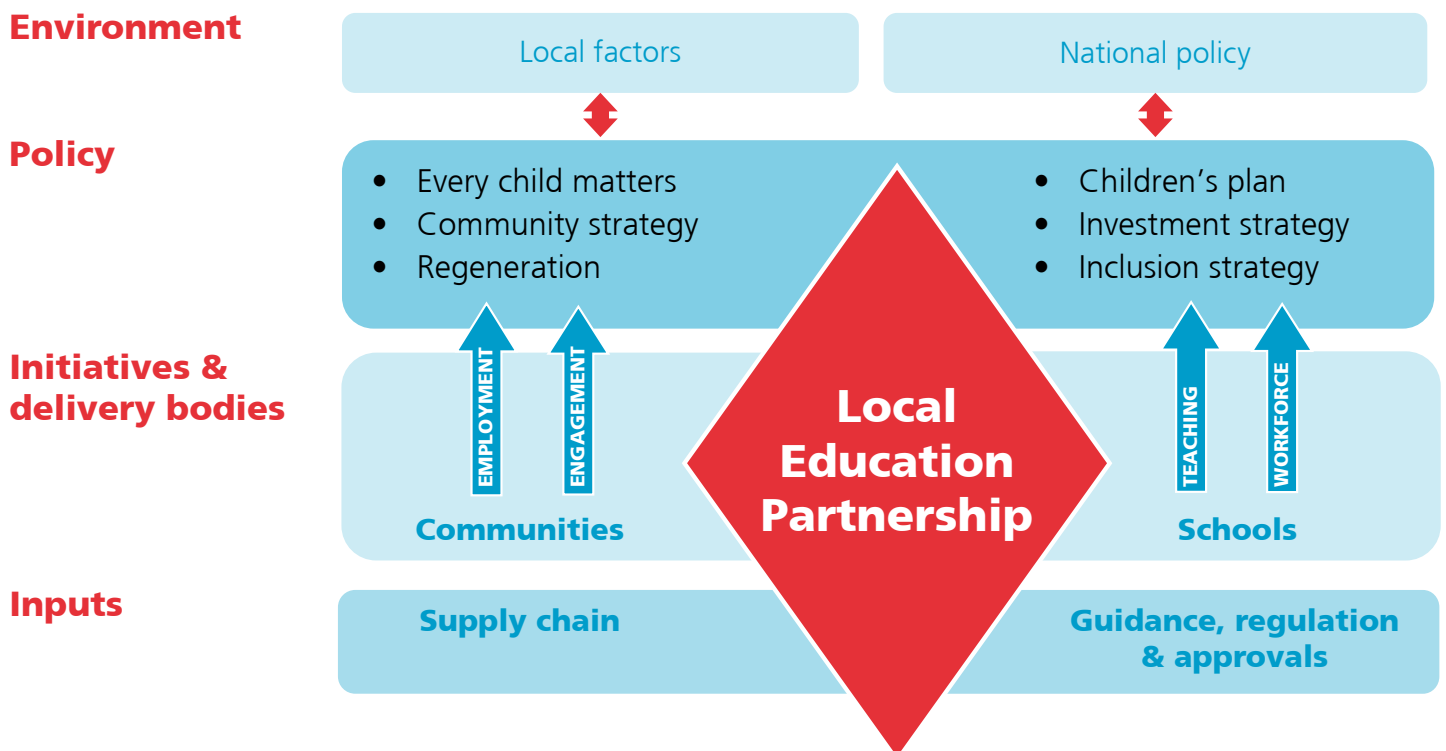
Value for money in a procurement process depends heavily on comparison between suppliers. Such a direct comparison in exclusivity is not possible but, in addition, the exclusivity arrangements are intended to lead to continuous improvement and enhanced value for money as more projects are developed.

The development of a shared understanding of what this improvement looks like; what is sufficient (or insufficient) and how it is measured is a complex discussion. It needs to begin with some clear thinking in the pre-procurement phase of a local BSF programme and be the subject of dialogue during the procurement phase. This is even more important as value for money is also heavily bound into the contractual element of partnering and how the continuing appropriateness of exclusivity is measured.

What is the role of the LEP in delivering value for money?

In making an assessment of whether the LEP delivers value for money in exclusivity, all those involved in the local programme will need to be clear about which organisations are best placed to influence and deliver the programme objectives. The diagram below underlines the fact that the LEP operates within a framework of initiatives and organisations that will all have a direct influence on BSF programme outcomes.

In terms of value for money assessment of the LEP's activities and the projects that it delivers, it is sensible to focus on measures around Inputs, Processes and Quality. This links back to the generic value for money assessment criteria of economy, efficiency and effectiveness.



Example objectives for measurement might be:

- Inputs – Control of costs; Timeliness of delivery of stage 1 and 2 approval processes; Delivery against construction timetables; FM and ICT costs
- Processes – Satisfaction of stakeholders with design process; Incorporating sustainability issues into design and construction; Take-up and usage of ICT services; Customer satisfaction with FM services;
- Quality – Design quality; User satisfaction with new facilities; Staff satisfaction with ICT services.

Many indicators such as these are already set out in the schedule 14 of the Strategic Partnering Agreement. It may therefore be more useful to focus on these areas to assess ongoing value for money being delivered by the LEP at the programme level instead of some more educational outcome-based measures such as the Contextual Value Added score for a school or cohort of schools. This reflects the fact that in the short-term the LEP does not have a sole direct impact on those outcomes and the reality that output benefits such as these will not be obvious immediately and may not be evident for a number of years. They are therefore less useful as a measure of ongoing Value for Money in relation to the LEP.

Of course, outcome measures are very important in demonstrating the impact of the BSF programme as a whole. The value of the assessment of the LEP is that it should give an indication of whether programme outcomes are more or less likely and whether or not any corrective action needs to be taken.

What does this mean for the assessment of LEP value for money?

In the local authority sector as a whole, performance management now tends to focus on smaller, finite sets of indicators which consider key areas that matter most and are central to effective delivery.

One of the advantages of a core set of indicators around value for money is that it puts on one page a summary of performance as a basis for identifying where efforts need to be focused to maintain and deliver improvement. Typically there will be no more than 25-30 indicators which, because of their diverse nature, will be put together as a balanced scorecard. Limiting the scorecard to this number of indicators means that each one is more likely to be significant in the overall picture and, if properly focused, will highlight important issues around the delivery of value for money, be it to do with cost, processes, quality or user satisfaction.

Many of these indicators will exist already in one or more of the following documents:

- Strategy for Change;
- The LEP Business Plan;
- Track Record KPIs;
- Collective Partnering Targets;
- Partnering protocols (around non-sample scheme development for example).

Developing a concise set of value for money indicators is therefore likely to consist mostly of discussion and codifying existing information rather than creating new indicators. New indicators should not, however, be ruled out.

How is a balanced scorecard useful?

Balanced scorecards are useful because they allow a variety of different measures to be put in one place to provide a holistic assessment of key measures, in this case of value for money. To be effective and genuinely balanced, the scorecard is likely to include many types of measure:

- Hard vs soft
- Inputs vs outputs
- Objective vs subjective
- Detailed vs high-level
- User-based vs expert
- Core vs subsidiary
- Quality vs volume/quantity
- Snapshot and trend (specific to a point in time in the process)

A balanced scorecard will also need to be representative of what is going on – it may therefore need to evolve if, for example, the LEP moves from a focus on construction to delivery of operational services to reflect this shift.

When presented to scrutinisers, decision-makers and stakeholders the intent and usefulness of what is being reported needs to be clear, concise, recognisable and intelligible. To ensure that there is buy-in to the definition of value for money, it will also be important that emerging ideas are articulated from the pre-procurement stage and discussed and developed through competitive dialogue. An assessment of value for money should be made against agreed objectives rather than being “retro-fitted” during the operational phase.



What does this mean in practice?

One of the issues that producing a balanced scorecard raises in the BSF programme is the need to filter or edit a larger number of KPIs down to a representative sample. As an example, in the table opposite three different possible indicators that could be used in relation to design quality, are outlined. All are currently used in different standard BSF documents.

All of the above are valid measures of design quality, but a balanced scorecard is unlikely to have room for all of them. For this reason, the local authority will need to articulate its definition of value for money and move quickly to a position where it can agree with stakeholders and potential suppliers what suitable indicators of value for money might be.

The process of getting consensus on an acceptable and coherent list of indicators, across all of the possible areas of measurement with all the stakeholders who will have a view, will take time and will need to be managed proactively.

Mission	“The programme aims to create learning environments which inspire all young people to unlock hidden talents and reach their full potential; provide teachers with 21st century work places; and provide access to facilities which can be used by all members of the local community.		
Pillar	Quality		
Objective	Building Design Quality		
Indicator	CABE Review	Attendance	User survey
Measure	Score	95%	Judgement
Target	8/10	+1%	Good

Underpinned by partnership

A key feature in delivering value for money through the LEP will be the quality of the partnership itself. Where the LEP is performing poorly in terms of the adequacy of its governance structure or partnering behaviours for example, outcomes are likely to be affected and value for money will be compromised.

A simple process through which self-evaluation and peer review provides a perspective on some of the following areas will therefore be useful. Many of these questions are drawn from other Practitioner Notes on specific topics.

Theme	Critical Questions
Authority Strategic Planning	<ul style="list-style-type: none"> • Does the local authority have a well-defined view of the LEP's role in the local area? • Is there a resourcing or investment plan to support proposed activity?
Education Transformation	<ul style="list-style-type: none"> • What do we mean by transformation and what is the LEP's role in its delivery? • Which other organisations are critical to the delivery of transformation. Are their activities co-ordinated with the LEP's?
Sharing a LEP vision	<ul style="list-style-type: none"> • What is the LEP's commercial plan and does it have a deliverable pipeline? • Is there a structured plan around the BSF programme and is the LEP's role within it clearly set out and managed? • Have we defined roles and responsibilities between the LEP, the local authority (and its advisers); PfS and other approval functions.
Governance Structure	<ul style="list-style-type: none"> • Is the governance structure clearly set out and understood? Is it doing what it was designed to do? • Are the right people in the right roles? • Do we have an independent LEP chair? • Are the interfaces at each organisational level well-established and working effectively? • Is the process to identify, rectify, manage and resolve issues coherent and transparent? • Are the routine processes of Programme and Project Management (plans; reporting; critical issues, etc.) operating effectively?
LEP in operation	<ul style="list-style-type: none"> • Are there agreed processes for quality standards around stage 1 and 2 approvals for future schemes? • Are we managing our projects critically and effectively? • Is school stakeholder engagement being planned and effectively delivered?
Effective partnering	<ul style="list-style-type: none"> • Are teams physically located to maximise effectiveness? • How are corporate Council and external relationships managed to support key decisions being made? • How are we enabling successful issue resolution? • Are the LEP and the local authority clear on what each needs from the other? • Do we have the right relationships between people and are we building trust? If not, what do we need to do?
Capacity to deliver	<ul style="list-style-type: none"> • Is there scope for more effective use of resources across the LEP and local authority establishment? • Does demarcation between local authority LEP contract management and inputs to the BSF programme (educational; school engagement; planning, etc) encourage effective delivery?
The role of national agencies	<ul style="list-style-type: none"> • Do we know the people with whom we need to do business? • Do we understand what they do and what they tell/ask us to do? • Are we influencing them effectively and are the lines of communication open?
Value for Money in exclusivity	<ul style="list-style-type: none"> • Do we have a sound and meaningful basis for continuous improvement? • Do we have a balanced scorecard of measures to highlight our effectiveness as an organisation and a partnership? • Is the performance management and benchmarking process meeting local programme needs as well as national PfS requirements? • Can we demonstrate to others how we are getting better?