1. How might Value for Money be defined for a construction or renovation type of programme?

Value for money, (sometimes referred to by the shorthand *VfM*) in construction and/or renovation projects involves more than delivery at the lowest possible cost. Although **cost is certainly a very important factor**, many **other aspects need to be taken into account.** MacDonald et al., (2013, p.279) define Value for Money as being "*the client assessment of the project delivered (or services rendered) . . . as it meets the predetermined objectives*". McKevitt (2015, p.99) suggests that Value for Money should be defined as the client feeling "*that they have received a product or service that was* ***worth the price which they paid for it***". In the context of *Scrutiny,* this client feeling should include not only of the professional client (i.e. PA itself), but also 'consumer client', (i.e. residents).

VfM therefore involves a consideration of **all** aspects of delivery, including **quality**, **speed of service, cost**, and also levels of **communication**. It can therefore be suggested that *VfM* comprises two key elements (1) **achievement of pre-agreed objectives**; and (2) a sense that the **price is fair**. Sometimes this is summarised by the three Es of project value - Economy, Efficiency and Effectiveness.

In project delivery such as major programmes, it is easy to focus on the practical elements of the work that can be visibly seen. However, it is also **important to consider the hidden or intangible aspects**, such as coordination between various stakeholders (such as subcontractors or various trades). These factors are significant as they are likely to influence the overall efficiency of the project and ultimately the level of satisfaction by the end client, including the residents. Kerzner (2017) comments that **good communication** throughout the life-cycle of the project is a **valuable indicator** of likely end **client satisfaction**.

Another important element to consider is how problems or difficulties are resolved. Even the most experienced project manager can encounter unforeseen challenges during project delivery (Kerzner, 2017). **The way in which problems are communicated and addressed** is another key indicator which is likely to impact on overall levels of customer satisfaction.

2. What Data (Information) would determine *VfM?*

If we define Value for Money as having (1) a quantitative element - **achievement of predetermined objectives**, but also (2) a quasi-qualitative element - **a sense of fairness in the price**, it is important to understand how we would measure what value looks like.

Obtaining data or information to determine the pre-agreed objectives is relatively straightforward in a project context like major programmes as this typically involves drawing up a list of **all of the tasks which need to be completed,** and checking whether they have been **undertaken to an appropriate standard**. Kelly et al., (2014) recommend that if possible, it is preferable to have an independent, qualified third party objectively assess whether quality thresholds have been achieved. Resident Scrutiny will take an independent view of this.

Obtaining a sense of whether the price is fair relative to the amount of work undertaken is a little more complex. One aspect of this is likely to involve **obtaining benchmark quotes**. PA will have undertaken this as a part of the procurement of the work. It is good practice to obtain a minimum of three quotes on a like-for-like basis in order to obtain a sense of market rate. The semi-subjective aspect is establishing whether overall, the price represents *VfM*, incorporating the intangible aspects. Information supporting intangible evidence of *VfM* might include:

- previous direct **experience and/or recommendation** on the basis of similar projects
- **evidence of good communication** during the process of preparing for the work, such as regular updates with appropriate information
- demonstrable evidence of good quality work, such as **previous referenced examples** - this may even involve going to **look at work** which has been undertaken.

Kelly et al., (2014) recommend drawing up a list of these partially subjective factors, and ranking them on a numeric scale. This process can then form part of the overall decision to assess contractor suitability to undertake the work in the first place, and check the intangible aspects of the work.

3. **Using relevant data, what might be the method for determining what determining what *VfM* looks like?**

Putting together the two elements of the VfM equation can be undertaken in a number of ways for a project like major programmes.

The first and most straightforward is to measure project delivery. This typically involves assessing achievement of Key Performance Indicators (**KPIs**) such as:

- **cost control** – on or under budget
- **time control** – within time schedule
- **defect management** – zero or minimal minor defects
- **safety** – no accidents or incidents
- overall level of **client satisfaction**.

An alternative set of measures might be to assess project outcomes over a longer timeframe. These might include:

- life-cycle of the infrastructure - should a new kitchen or bathroom last 3, 5 or 10 years (infrastructure, not necessarily décor)
- overall maintenance costs during life-cycle - to avoid the cost and disruption of regular and repeated repairs and maintenance
- maximum efficiency in use of space so that the room(s) can be used comfortably
- sustainability - has the work been undertaken in a way which is environmentally or socially sustainable - for example has the contractor used local employees or local suppliers?

Whilst the **first method** is relatively straightforward, its limits are that it is relatively short-term, and only **focuses on immediate need**. The difficulty with this is that in three- or five-years' time, it might transpire to have been a **false economy** to use the cheapest contractor to undertake the work as quickly as possible.

The **second method** is quite **complex and difficult to** assess without the benefit of hindsight and long experience. Therefore, it is probably best to use a combination of the two aspects, only picking out the longer-term measures which are directly relevant to major project programmes.

4. What Good Practice might be referenced to understand/Illustrate the process of capturing and defining *VfM*?

Recent industry led studies in assessing *VfM* have begun to look at *total value*, or value management as better measurements of overall project control (Glenigan, 2019). These experts take into account the key 'value drivers' - or factors which are the most important to the overall project, and then work through a process of calculating value over the medium to long-term. This is quite complicated, as it usually involves best estimates of future inflation in large projects, but the principle helps to focus attention on a combination of **best value**, **best service**, and **long-term capability**. This involves a number of steps (***Fig. 1***) which are developed in combination between the contractor and the end stakeholders (including residents) to create an overall definition and measure of what *VfM* looks like in any given project. This can be time-consuming at the beginning of the project, but can be very valuable for providing a reference point for future assessments of value in similar projects.

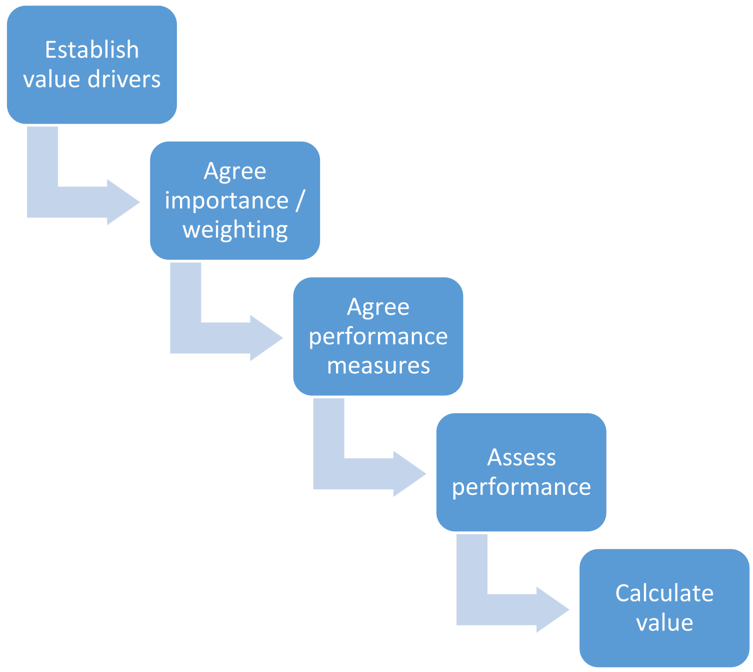

Figure 1: *Steps for Calculating Value for Money in Projects*

Sources

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