“Good value for money is the optimal use of resources to achieve the intended outcomes.”

The objective of our VFM work is to form a clear judgement on whether value for money has been secured in the area under examination. This analytical framework is designed to help teams do this in a consistent manner. It builds on the questions underpinning the definition of VFM we have chosen (see page 4).

At **planning stage** teams should follow Steps 1-3 set out on page 2. Step 1 requires them to decide what optimal arrangements would look like in the circumstances we are auditing. We define *optimal* as “the most desirable possible, given expressed or implied restrictions or constraints.” Deciding what is optimal requires judgment and an understanding of what are reasonable restrictions. Step 2 requires the team to establish the totality of planned resources relevant to the subject being examined; Step 3 requires the team to identify all the planned outputs and outcomes.

At the **end of fieldwork** teams should repeat Steps 1-3. With the evidence they have collected under the three headings during their fieldwork they can now ascertain what has been achieved – towards establishing optimal arrangements and in terms of achieving outcomes – and what resources have been spent.

Then, having identified the performance achieved, teams should follow Steps 4-5 on page 3 and draw conclusions, in particular:

- on whether the identified performance was better or worse than planned (internal comparison); and

- how this compares with benchmarks beyond this particular case and point in time (external comparison).

By doing this teams can conclude on whether value for money has been achieved and should state their judgement in a clearly stated and succinct VFM Conclusion.

Having identified where the weaknesses in performance and arrangements lie, teams can then make robust recommendations designed to improve value for money (Step 6). The sequence of Steps 1-6 should act as the structure for the Summary of a VFM report.
Analytical framework for assessing Value for Money

Definition: Good value for money is the optimal use of resources to achieve the intended outcomes

<table>
<thead>
<tr>
<th>1 Establishing what is ‘optimal’</th>
<th>2 Capturing the scale of resources</th>
<th>3 Identifying expected and actual outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish the criteria against which performance will be assessed by agreeing what optimal arrangements for the system under scrutiny would look like. “Optimal” is defined as “the most desirable possible given expressed or implied restrictions or constraints.” Teams need to consider what reasonable constraints they need to take into account.</td>
<td>Identify the resources involved – initially in the plans and later, as outturn – including (where appropriate):</td>
<td>Identify the immediate, intermediate and long term outputs and (where possible) outcomes. This needs to be done initially in considering the planned achievements and later, when considering actual achievements, including (where appropriate):</td>
</tr>
<tr>
<td>Optimal planning: Being clear about what is wanted. For example:</td>
<td>- staff costs</td>
<td>- performance against targets (e.g. against PSAs)</td>
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<tr>
<td>- Well evidence based initiative with clear objectives, based on appropriate best practice/industry benchmarks, agreed targets etc</td>
<td>- consultancy spend</td>
<td>- delivery record (including quantity and timeliness)</td>
</tr>
<tr>
<td>- Realistic plans taking account of constraints and developed in the light of an understanding of risks</td>
<td>- consumables</td>
<td>- productivity record and trends</td>
</tr>
<tr>
<td>- Stakeholder support for plans</td>
<td>- funding streams</td>
<td>- unit costs</td>
</tr>
<tr>
<td>- Required resources in place to deliver to plan</td>
<td>- buildings</td>
<td>- whole life costs</td>
</tr>
<tr>
<td>- Clear understanding of what relevant costs should be</td>
<td>- savings</td>
<td>- economy and efficiency measures</td>
</tr>
<tr>
<td>Optimal implementation: Delivering or procuring well. For example:</td>
<td>- cash</td>
<td>- quality of service (including customer satisfaction record)</td>
</tr>
<tr>
<td>- Having the right technical and managerial skills</td>
<td>- revenue collected</td>
<td>- adverse, perverse or unintended consequences</td>
</tr>
<tr>
<td>- Selecting the best delivery or procurement route</td>
<td>- other resources (including finite resources such as energy, waste etc)</td>
<td></td>
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<tr>
<td>- Avoiding false economies</td>
<td></td>
<td></td>
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<td>- Managing supply markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Obtaining economies of scale through programmes of investment or contracts</td>
<td></td>
<td></td>
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<tr>
<td>- Minimum sustainable impact of procurement</td>
<td></td>
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<tr>
<td>- Establishing clear and good VFM risk transfer</td>
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<tr>
<td>Optimal monitoring: Being able to assess performance. For example:</td>
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<tr>
<td>- Clear performance measures set and monitoring arrangements in place</td>
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<tr>
<td>- Sound performance management systems</td>
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<td></td>
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<tr>
<td>- Sound policy evaluation process in place, with timely feedback</td>
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<tr>
<td>- Ability to make operational changes well in light of feedback</td>
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<td></td>
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<tr>
<td>- Ongoing value testing</td>
<td></td>
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<tr>
<td>- VFM assessment methodology in place</td>
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</table>
### Establishing the consequences for VFM of the identified level of performance (internal comparison)

Establish the consequences of the identified performance for value for money.

- were more/fewer resources employed than expected?
- was performance in terms of outputs/outcomes greater/less than expected?
- was performance better/worse than expected given the resources employed?
- do the arrangements in place match up to those of the chosen benchmark established at Step 1?
- were the outcomes achieved worth it given:
  - the scale of spend involved
  - the effort involved (and the opportunity cost)
  - their sustainability or otherwise over the medium to long term (eg can performance last or is it vulnerable to decline?)
  - the timing of benefits (short, medium or long term)
  - does performance suggest there is a problem with VFM?

### Drawing an overall conclusion on the value for money achieved with these resources (external comparison)

Having identified achieved performance (1-3) and established how it compares with what was or could have been expected (4), finalise the VFM conclusion by comparing performance in this case with, where appropriate, external benchmarks such as:

- with alternative actions (could better VFM have been achieved by doing things differently)
- against accepted good practice or internal/external industry benchmarks
- comparisons with past years – trend analysis
- against stakeholder expectations

### Making recommendations to secure improved outcomes

Having identified shortcomings in performance, make costed and timed recommendations for the individual organisation or for the government system more widely, designed to improve the policy implementation process, and lead to better VFM, by:

- correcting weaknesses
- improving processes and practices
- reducing costs
- improving performance
- securing savings
- raising awareness of policy benefits
- improving management information
- ending activities or policy where necessary
- reorganising processes and practices
Good VFM is the **OPTIMAL USE** of **RESOURCES** to achieve the intended **OUTCOMES**

**Planning stage**
- **Optimal**
  - What does ‘optimal use of resources’ for this system mean in terms of the 3Es in...
    - ...a perfect world?
    - ...given reasonable constraints?

**End of fieldwork stage**
- **Resources**
  - What resources were planned to be used across the whole system?
  - What resources have been/are being used across the whole system?
- **Outcomes**
  - What were the intended outcomes?
  - What outcomes have been achieved?
  - What is the gap between what has been achieved and what was intended?

**Analysis stage**
- **Criteria for judging performance**
  - Assessment of costs and benefits
  - What is the gap between planned and actual resource use?
  - What is our overall conclusion on the value for money achieved with these resources?
- **Consequences for VFM**
  - What are the consequences for VFM of the identified level of performance?
- **Recommendations**
  - What recommendations should we make to secure improved outcomes?

**VFM Conclusion**
- What does ‘optimal use of resources’ for this system mean in terms of the 3Es in...
  - ...a perfect world?
  - ...given reasonable constraints?

**Framework of questions for assessing VFM**
- What has been achieved against the chosen benchmark in terms of creating an optimal system?
- What is the gap in terms of the system between what has been achieved and what could reasonably have been expected?