Value for Money

Evaluation Task Force Academy

Hello

ETF Evaluation Academy

Module 1: Introduction to Evaluation

Module 2: Developing a Theory of Change

Module 3: Scoping an Evaluation

Module 4: Implementation and Process Evaluation

Module 5: Impact Evaluation - Experimental Designs

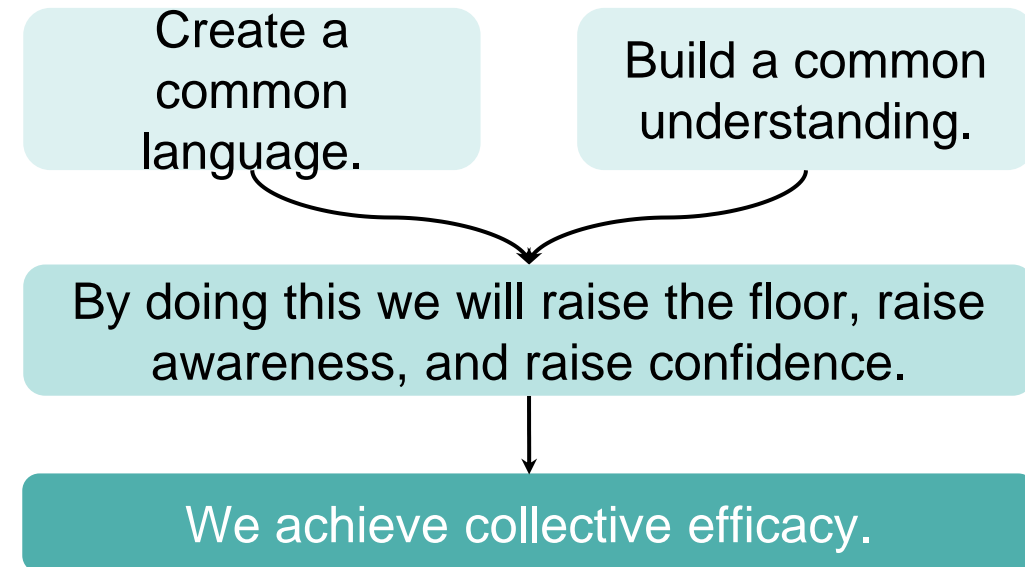**Module 6:** Impact Evaluation - Quasi-Experimental Designs

Module 7: Impact Evaluation - Theory-Based Designs

Module 8: Value for Money

Module 9: Planning and Managing an Evaluation

Module 10: Communicating Evidence and Decision Making

The Evaluation Academy will upskill analysts across HMG departments in key evaluation methodologies and evaluation management techniques and will result in better and more evaluation across HMG.

Create a common language.

Build a common understanding.

By doing this we will raise the floor, raise awareness, and raise confidence.

We achieve collective efficacy.

Module 8: Overview of contents

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Key
Know/Comprehend: lowest level of complexity
Apply/Analyse: medium level of complexity
Evaluate/Create: highest level of complexity

Learning outcomes

- I can explain what Value for Money evaluation is and why it is useful

- I can differentiate between a VfM analysis and Benefits Realisation / Cost Benefit Analysis

- I can integrate VfM analysis into different process and impact evaluation approaches

- I know how to use the 'Four Es' approach to VfM analysis

- I can choose and apply the appropriate metrics to measure VfM of a policy

- I can explain the benefits and risks of different VfM approaches to a range of audiences

- I can critically assess the findings of a VfM evaluation

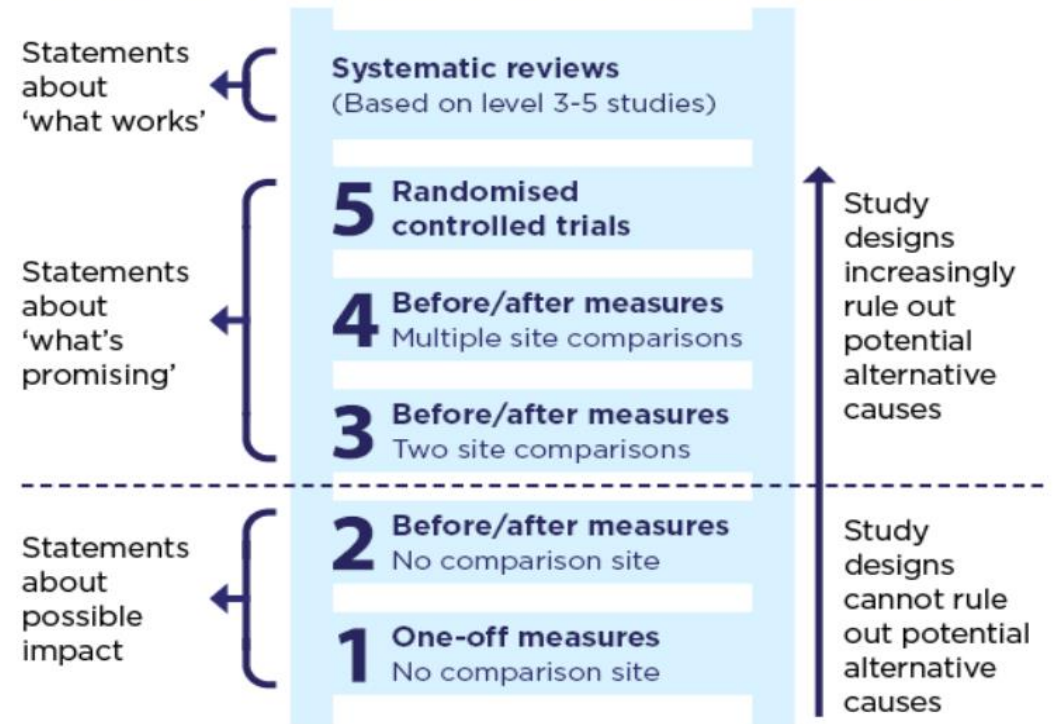# ETF Evaluation Academy: Hierarchy of evidence

The Nesta Standards of Evidence

The objective of developing Standards of Evidence is to help us know how confident we can be in the evidence provided to show that an intervention is having a positive impact.

Level 5
You have manuals, systems and procedures to ensure consistent replication and positive impact

Level 4
You have one + independent replication evaluations that confirms these conclusions

Level 3
You can demonstrate causality using a control or comparison group

Level 2
You capture data that shows positive change, but you cannot confirm you caused this

Level 1
You can describe what you do and why it matters, logically, coherently and convincingly

Ladder of evidence

How can we be confident our activity makes a difference?

Statements about 'what works'
— **Systematic reviews** (Based on level 3-5 studies)

Statements about 'what's promising'
— **5 Randomised controlled trials**
— **4 Before/after measures** Multiple site comparisons
— **3 Before/after measures** Two site comparisons

Statements about possible impact
— **2 Before/after measures** No comparison site
— **1 One-off measures** No comparison site

Study designs increasingly rule out potential alternative causes

Study designs cannot rule out potential alternative causes

Introducing Value for Money (VfM)

What is VfM evaluation?

Value for Money evaluation is about answering the **"is it worth it?"** question.
Do the benefits justify the costs?

HM Treasury

Managing Public Money

HMT's guidance on managing Public Money

VfM is "*Securing the best mix of quality and effectiveness for the least outlay over the period of use of the goods or services*".

Guidance
The Green Book (2022)
Updated 27 October 2023

HMT's Green Book

VfM is "*How well the option optimises social value (social, economic and environmental), in terms of the potential costs, benefits and risks*".

Why is VfM important?

VfM is a crucial part of the policy evaluation cycle. It allows us to answer questions that Ministers and HMT most want to answer: is it worth doing?

Four potential benefits of VfM evaluations

Optimising Resource Allocation

Accountability and Transparency

Support Effective Benchmarking

Organisational Benefits

How is VfM related to other value/cost evaluation methods?

Value for Money (VfM)

is a broader evaluative concept that assesses whether the benefits realised from a project are worth the resources invested.

Benefits realisation	Cost Benefit Analysis (CBA)	Cost Effectiveness Analysis (CEA)
Goal: Identify, quantify, plan, and optimise the benefits derived from investments or government policy decisions.	**Goal:** Monetise all costs and benefits of a programme to assess whether the benefits outweigh the costs. **Method:** divide benefits (measured in £) by the costs (measured in £).	**Goal:** Understand the relationship between the costs of policies or programmes and their outcomes. **Methods:** for different strategies, compare the change in a specific outcome, divided by the cost (measured in £).

Benefits realisation is a component of VfM.

CBA and CEA themselves are related methods, and are components of a well-conducted VfM analysis.

How does VfM fit with other evaluation approaches?

VfM as a component of evaluation

improves the usefulness of evaluations by focusing on how well resources are used, the value created, and the justification of financial and opportunity costs.

VfM as the ultimate analysis

synthesises information about costs (from process evaluations) and benefits (from impact evaluations) for a comprehensive analysis

necessitates considering VfM from the onset of the evaluation process

The next slides address the relationship between VfM and three important tools:

'Theory of Change' (ToC) | 'Process Evaluation' (PE) | 'Impact Evaluation' (IE)'

VfM and Theory of Change (ToC)

Provides a foundation for VfM criteria

A ToC helps establish the criteria for VfM evaluation.

It defines what successful outcomes and impacts look like.

Informs economic assumptions

A ToC informs the assumptions in the economic analysis of VfM.

It helps identify which inputs and activities are critical in achieving the desired outcomes and what costs are involved.

VfM and Process Evaluation (PE)

Process evaluations examine the programme's implementation, including the efficiency of resource use, adherence to budget, and operational challenges. They help to understand the 'how' and 'why' behind the success or failure of programme activities

PEs can support VfM evaluation in:
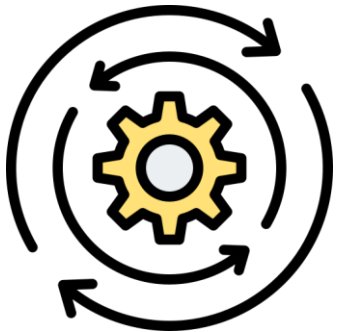
Assessing efficiency and effectiveness

VfM evaluation utilises the findings of a PE to assess the efficiency and effectiveness of the programme.

Identifying areas for improvement

PEs can identify areas where costs can be reduced without compromising outcomes, increasing the VfM of the programme.

VfM and Impact Evaluation (IE)

Impact Evaluation measures the outcomes and impacts that are produced by the programme.

IEs can support VfM evaluation in:

Quantifying impacts

VfM evaluation uses the results of Impact Evaluations to conduct Cost-benefits (CBA) and cost-effectiveness analysis (CEA).

Informing decision making

The insights from Impact Evaluation feed into VfM evaluation to inform decision-makers about the overall value of the programme.

What can VfM analysis look like in practice?

Case study: Evaluation of the Coronavirus Job Retention Scheme (CJRS)

- **Context of the Case Study:** The scheme was launched in April 2020 and aimed to protect jobs affected by the coronavirus (COVID-19) pandemic.

- The scheme offered employers the opportunity to apply for a grant to fund the wages of their employees who were on furlough, equivalent to 80% of usual wages up to £2,500 per month.

- The scheme was universal in design, covering almost all employees across the UK.

- Over time, changes were made to the scheme to encourage employers to bring employees off furlough.

- [HMT published the results of the CJRS final evaluation](), which assessed scheme impact and value for money (VfM), in July 2023.

Read the context and background of this case study.

Discuss in 2s or 3s:

- Why do you think it would be important to evaluate the value for money of a scheme like the CJRS?

- What types of questions would be most important to answer when conducting a VfM evaluation of this scheme?

- What challenges might arise in attempting to evaluate the VfM of the scheme?

How HMT evaluated the VfM of this scheme

HMT's evaluation aimed to:

- Understand the impact and sustainability of the scheme's expenditures against its outcomes

- Ensure funds were used optimally to meet its objectives within the context of broader economic support measures.

"VfM can be thought of as the extent to which the scheme met its objectives whilst being as economical as possible with the use of taxpayer resources."
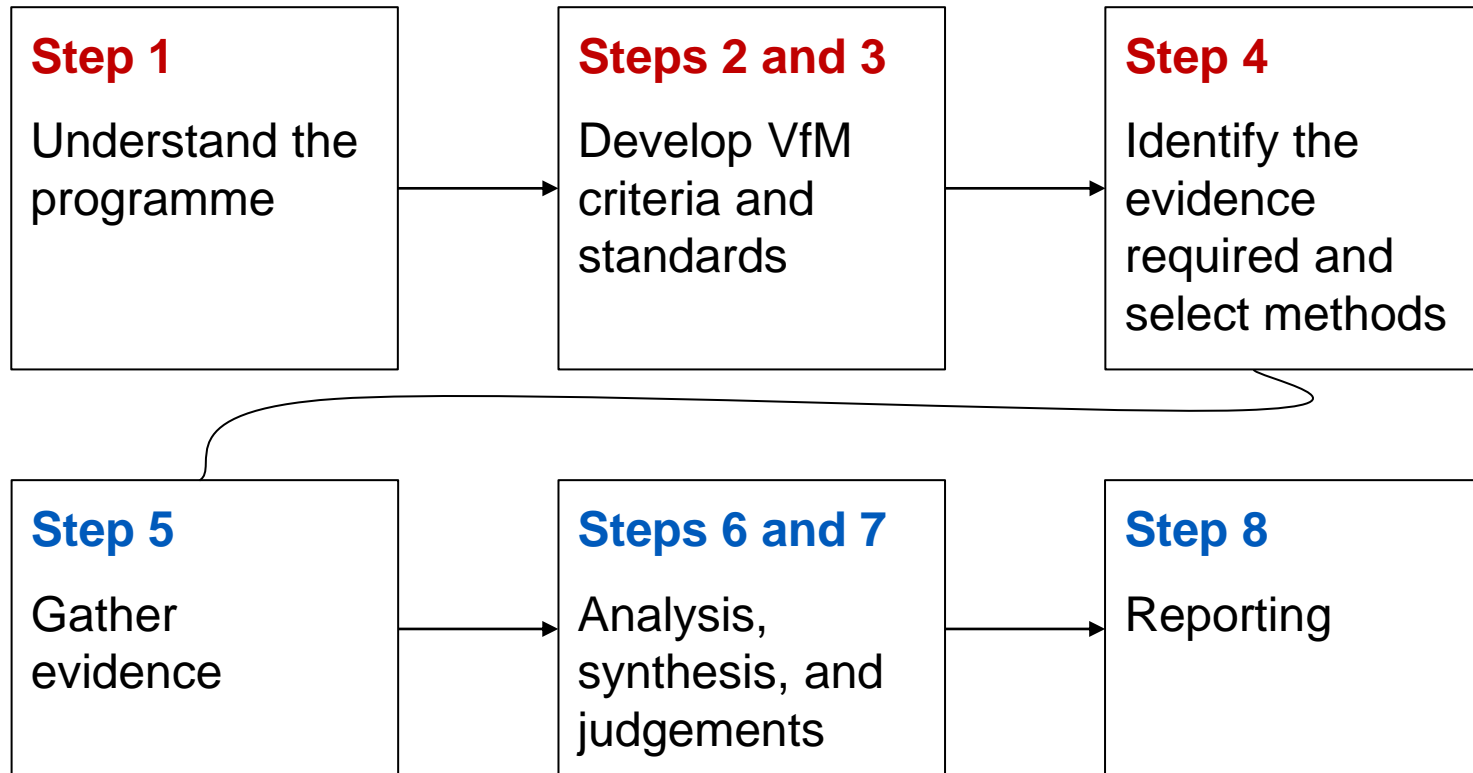*- The Coronavirus Job Retention Scheme final evaluation, 2023*

The evaluation was a mixed-methods approach, incorporating both quantitative and qualitative analysis techniques. This enabled a more nuanced understanding of the scheme's impact and effectiveness from various dimensions, including economic, social, and operational perspectives.

The evaluation examined areas such as the scheme's impact on employment levels, support for businesses, and the broader economic implications, including how well it mitigated the economic downturn caused by the COVID-19 pandemic.

# Evaluating VfM: The OPM/King Framework

The OPM/King VfM framework offers a practical, 8-step approach to applying VfM to an evaluation of a programme or policy

Step 1

Understand the programme

Steps 2 and 3

Develop VfM criteria and standards

Step 4

Identify the evidence required and select methods

Step 5

Gather evidence

Steps 6 and 7

Analysis, synthesis, and judgements

Step 8

Reporting

The framework incorporates the 'Four Es'
- **Economy**
- **Efficiency**
- **Effectiveness**
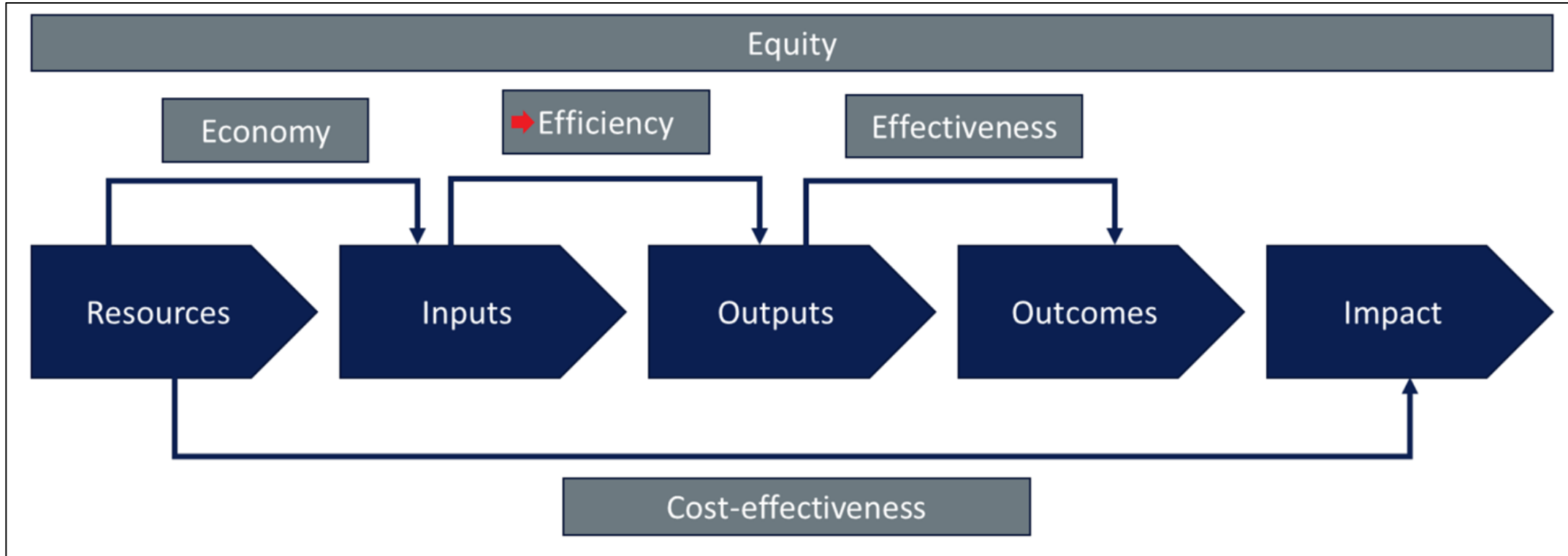- **Equity**

The first E: Economy
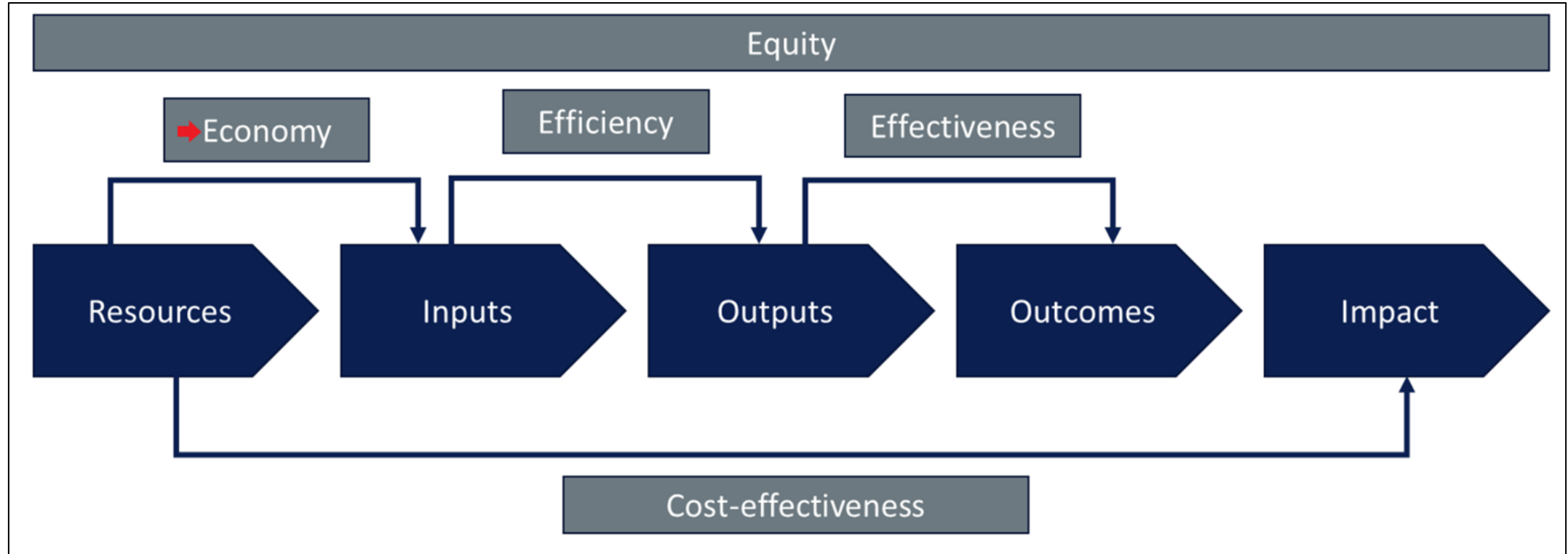
Source: Oxford Policy Management (2023)

Economy is defined as **spending less**

"*Are we buying inputs of the appropriate quality at the right price?*"
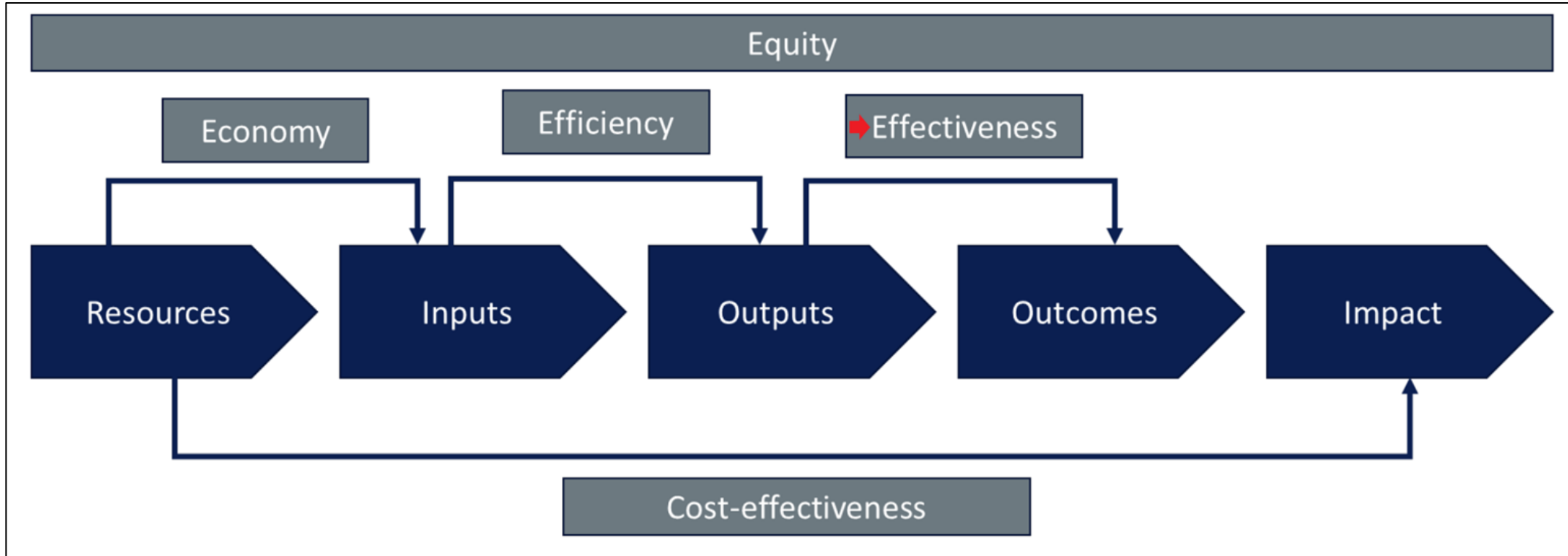
The second E: Efficiency

Source: Oxford Policy Management (2023)

Efficiency is defined as **spending well**

"*How well are we converting inputs into outputs?*"

The third E: Effectiveness
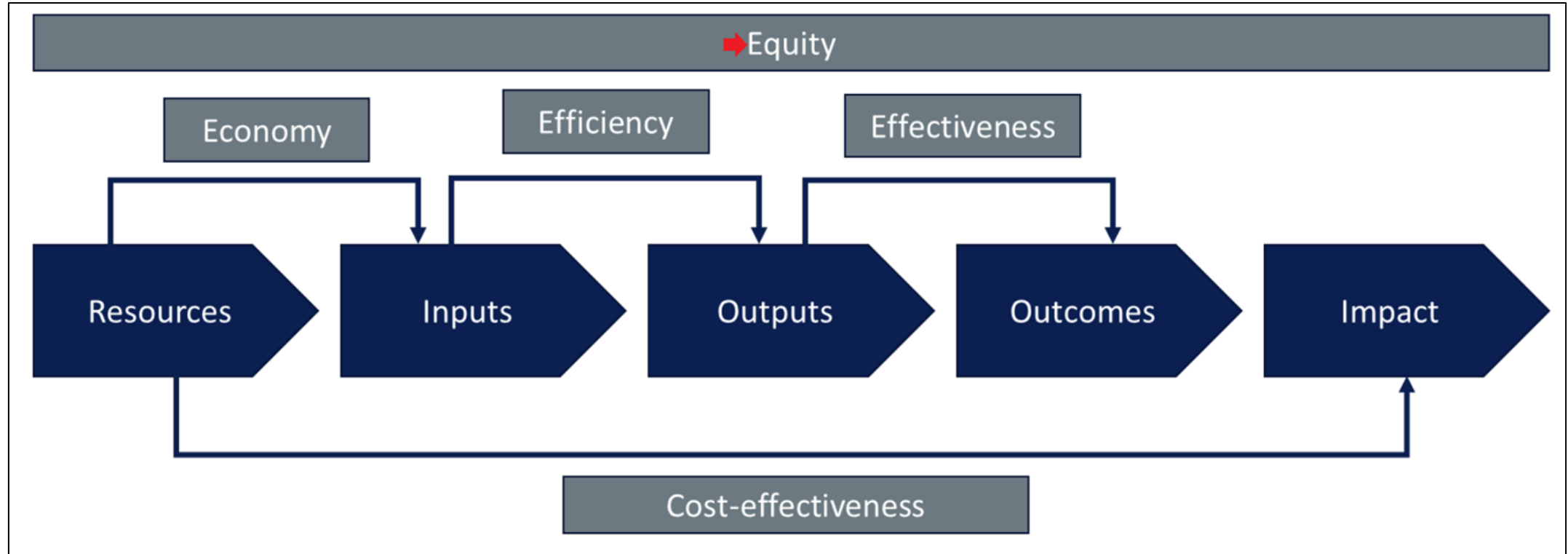

Source: Oxford Policy Management (2023)

Effectiveness is defined as **spending wisely**

"How well are the outputs produced by an intervention having the intended effect?"

The fourth E: Equity
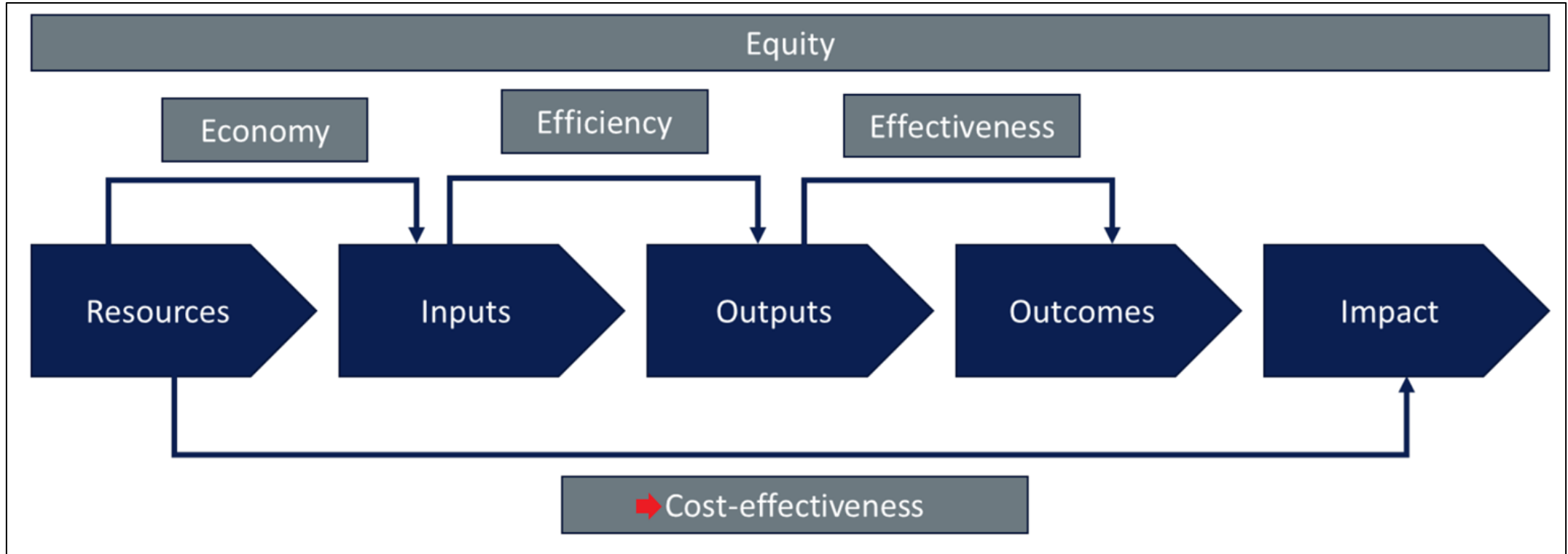

Source: Oxford Policy Management (2023)

Equity is defined as **spending fairly**

"*How fairly are the benefits distributed? To what extent are we reaching marginalised groups?*"

The fifth E (?): Cost-effectiveness

Source: Oxford Policy Management (2023)

Cost-effectiveness ties together the 'Four Es'

"What is the relationship between value created and value consumed?"

Embedding the 'Four Es' in OPM/King's VfM framework

There are two practical challenges for using the 4Es in VfM evaluation

The standard definitions of each "E" are **too generic**.

The 'Four Es' alone **do not provide a transparent basis** for distinguishing 'good' VfM from 'excellent' or 'poor' VfM.

Creating Programme Specific Definitions of the 'Four Es'

Programme-specific definitions of the 'Four Es' can help address the lack of specificity:

Economy	Efficiency	Effectiveness	Equity
"*The programme team is a good steward of programme resources, buying inputs of the appropriate quality at the right price*"	"*The programme produced the intended quality and quantity of outputs within the available resources and optimised the use of resources by moving resources around for greater leverage*"	"*The programme achieves its intended outcomes within the available resources*"	"*The programme reaches and benefits its intended target groups*"

Defining Performance 'Standards'

Performance 'standards' provide a transparent basis for distinguishing 'good' VfM from 'excellent' or 'poor' VfM.

Performance standard	Definition
Excellent	The intervention is not only meeting all reasonable expectations/targets bearing in mind its context, but is substantively exceeding some of these. There may be room for incremental improvements.
Good	The intervention is generally meeting reasonable expectations/targets, allowing for a few minor exceptions. Some improvements may be needed.
Adequate	The intervention, though not meeting all expectations/targets, is fulfilling minimum 'bottom-line' requirements and is showing acceptable progress overall. Significant improvements may be needed.
Poor	The intervention is not fulfilling minimum 'bottom-line' requirements and/or not showing acceptable progress overall. Immediate and major improvements are needed.

Source: Oxford Policy Management (2023)

REFLECTION: Applying programme-specific definitions and standards

Consider an evaluation of value for money (or overall efficacy) of a programme, policy, or intervention that you have performed; or an intervention with which you are familiar.

Reflect on these questions and then discuss with a partner.

1. Did the evaluation use programme-specific definitions of 'economy', 'efficiency', 'effectiveness', 'equity', or related concepts?

    a. If not, how could programme-specific definitions have helped the evaluation?

1. Did the evaluation benefit from clear pre-specified standards of performance?

    b. If not, how could these have helped?

Applying a VfM framework to your work

OPM/King's VfM framework - the 8-step practical approach
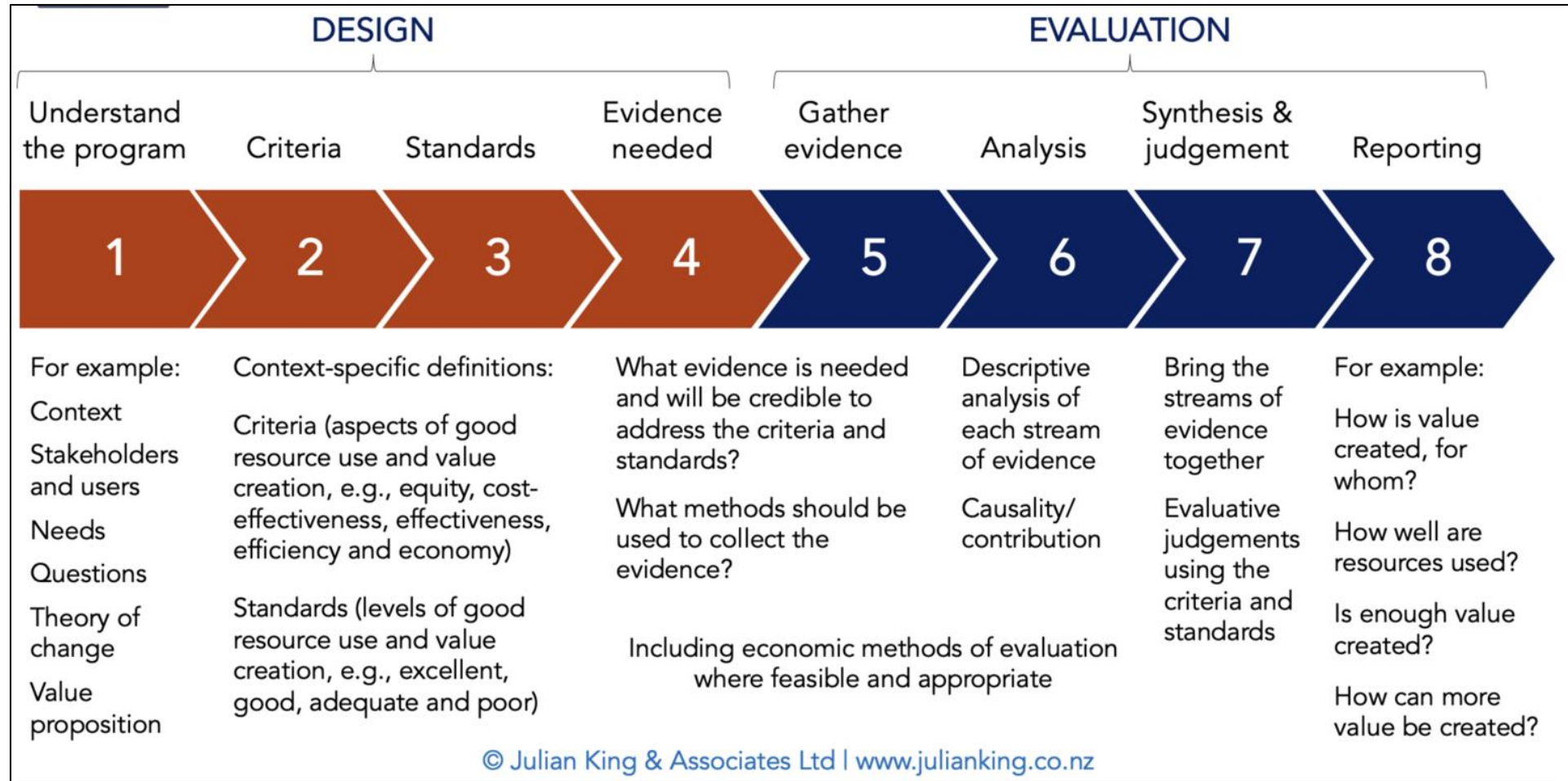
Design Phase

Understand the programme → Develop the VfM criteria → Develop the VfM standards → Evidence needed

At the start of any evaluation, the team should invest time in understanding the programme, its context, and evaluation users and stakeholders, as well as their information needs.

A common understanding of how to define 'good' value for money is crucial to the credibility and acceptability of the evaluation later.

A ToC acts as a map describing how a programme or policy works, and how planned inputs and activities will lead to intended outcomes.

Criteria and standards provide an agreed, transparent basis for interpreting the evidence and making evaluative judgements.

Criteria of merit or worth are selected dimensions of performance that are relevant to a particular programme and context.

They outline the key performance areas that must be shown to support an evaluation of VfM.

Involving key stakeholders in developing and agreeing these criteria helps to ensure common understanding.

At this stage, develop context-specific definitions of the 4 Es - economy, efficiency, effectiveness, and equity.

OPM/King's definition of performance standards is that they "***provide defined levels of VfM for each of the criteria***".

The OPM/King guidance provides generic definitions such as excellent, good, adequate, and poor.

In many sectors, generally accepted benchmarks exist that define sector-specific criteria and standards.

Determining Relevant Sources of Evidence

Only after clarifying the ToC, criteria, and standards can relevant sources of evidence be identified.

💡 **What evidence is needed and will be credible to address the criteria and standards?**

💡 **What methods should be used to gather the evidence?**

Ideally, evidence will include a mix of numeric, qualitative, economic, and monetary evidence.

For example: programme financial accounting data, programme operational data/reports, MEL data/reports, and results of economic analysis

Summarising the Design Phase: VfM Evaluation Framework

Understand the programme	Develop the VfM criteria	Develop the VfM standards	Evidence needed

As with any evaluation framework, the VfM framework should describe:

01

The programme (including its ToC/value creation in an annex)

02

The criteria and standards that will be used to assess the programme's VfM

03

Evidence sources that will be needed and the methods that will be used to gather the evidence (including any linkages to the MEL framework)

04

A plan and timetable for conducting the evaluation(s)

Case study: Consider again the 'design' of the case study seen previously:

- **Context:** The Coronavirus Job Retention Scheme (CJRS). The scheme was launched in April 2020 and aimed to protect jobs affected by the coronavirus (COVID-19) pandemic. The scheme initially offered employers the opportunity to apply for a grant to fund the wages of their employees who were on furlough, equivalent to 80% of usual wages up to £2,500 per month.

- **Design:** HMT designed the VfM evaluation to navigate the uncertain context of the pandemic, incorporating both quantitative and qualitative analyses. It adhered to the "4Es" framework (Economy, Efficiency, Effectiveness, and Equity), in this case taken from the NAO (National Audit Office), with modifications to the traditional Green Book methodology to capture the scheme's broader macroeconomic benefits. The evaluation explored the scheme's outcomes against objectives, its reach and fairness, cost-effectiveness, and the efficiency of resource use, incorporating no-CJRS counterfactual scenarios. It used two alternative valuation methods, social value and exchequer value.

Read the context and background of this case study.

Discuss in 2s or 3s:

- How have the four 'design' steps been addressed in the design of this case study evaluation?

- Where does the case study (based on the description I have given) perform well against these steps?

- Where does it seem lacking, or where do we need more information?

Evaluation Phase

Gather evidence

Analysis

Synthesis and Judgement

Reporting

Gathering the evidence needed for a VfM evaluation involves following the same principles of good project management and fieldwork that would be followed for any evaluation or research project.

Some programmes will involve experimental (e.g. randomised controlled trial) or quasi-experimental evidence to support causal inferences.

In other cases, it will be necessary to apply a theory-based approach.

The OPM/King guidance framework for assessing VfM groups Steps 6 (Analysis) and 7 (Synthesis and Judgement) together, but notes also that they are three discrete, sequential steps.

Analysis   **Synthesis**   **Judgement**
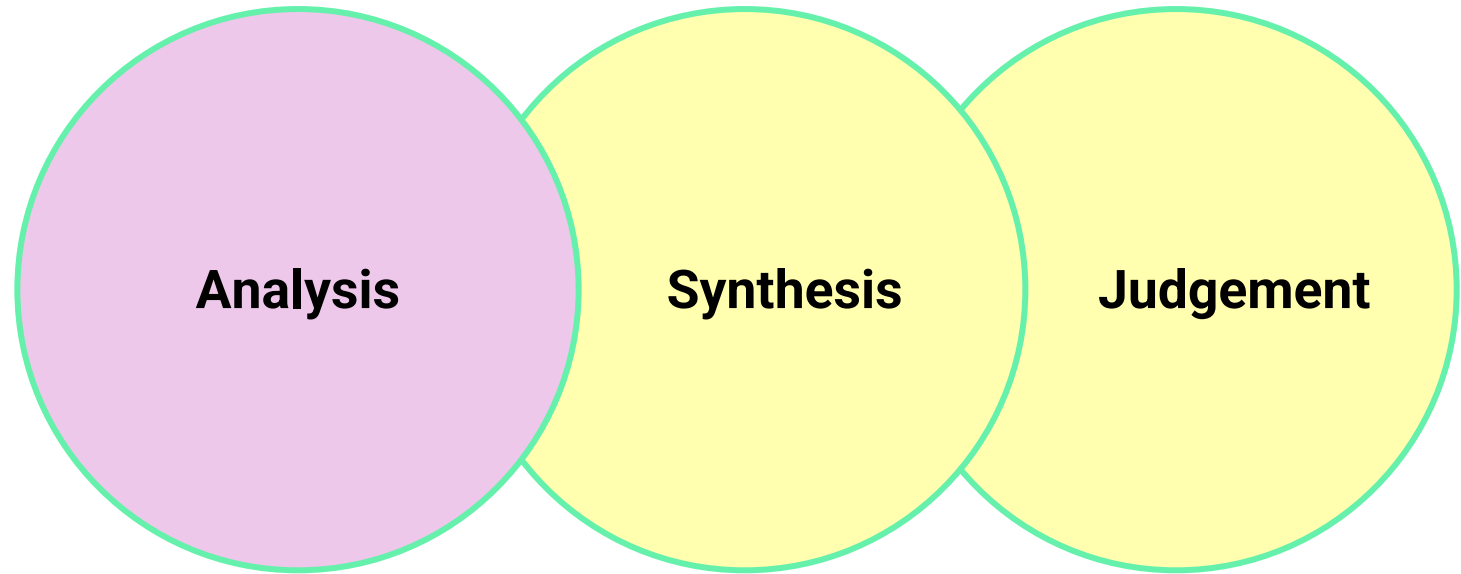
Analysis of each stream of evidence (quantitative and qualitative) is first carried out to identify individual findings and themes.

Analysis

Synthesis

Judgement

Synthesis considers all evidence collected, noting both areas of agreement and disagreement between sources. This should first be done for each VfM criterion individually and second for VfM overall.

Judgements are then made against the criteria and standards to determine and report the VfM of the programme.

VfM reports should be structured around the overarching VfM criteria (e.g. the 'Four Es'), addressing each in turn. **A good VFM report:**

✅ **tells a compelling performance story** focused on, and structured around, the aspects of performance that matter, and presenting a clear judgement about the level of performance;

✅ **gives clear answers to important questions** by getting straight to the point, presenting transparent evidence, and being transparent about the basis upon which judgements are made.

ETF Evaluation Academy delivers a '*Communicating Evidence*' module, which you can attend if you wish to learn more about how to concisely report evidence.

Summarising the Evaluation Phase: VfM Evaluation Report

| Gather evidence | Analysis | Synthesis and Judgement | Reporting |

At this point, the VfM report should be complete. If these steps are properly implemented, the report should include:

01

The evidence gathered and how it contributes to the overall findings, including the relative weight given to specific evidence and whether there are any contradictions between sources;

02

The findings arising from analysis of evidence and how these relate to each of the 'four Es' for evaluating VfM (i.e. economy, efficiency, effectiveness, and equity);

03

The judgements made against the criteria and standards set out in the VfM framework developed beforehand, based on the evidence gathered and analysis performed;

04

A clear articulation of programme/policy performance based on defined criteria and standards, directly answering key questions with transparent evidence and judgement rationale.

Case study: Consider again the 'design' of the case study seen previously:

- **Lessons Learned:** The lessons learned from the CJRS focus on crisis management, policy design and targeting, error and fraud management, customer support, and the trade-off between error, fraud, and deadweight. Key insights include the importance of simple initial designs for rapid deployment, the benefits of flexible furlough and advance payments, the challenges of sector-specific targeting, the value of digital repayment services, and the role of customer satisfaction in scheme success. These lessons inform future policy development, emphasising data utilisation, and balancing rapid support delivery with error and fraud risks.

- **Outcome of the Analysis:** HMT concluded that the CJRS was shown to have been good value for money and had a substantial net social benefit overall, despite the high costs to the Exchequer. Overall, it provided a total central social benefit of £67 billion with a range of £50 billion to £100 billion derived from the value of additional economic output, equity benefits through reducing income inequality and NICs and Income Tax due on grant payments. The CJRS is seen to have a total central social cost of £17 billion with a range of £16 billion to £19 billion from the gross cost of grants, the cost of implementing the scheme, error and fraud, and the deadweight measure on inefficient payments. This gives a high central net social benefit of £50 billion with a range of £34 billion to £81 billion in present value terms. This indicates a benefit: cost ratio of around 4:1 and that the CJRS was a successful and important intervention to support the UK labour market during COVID-19.

Read the context and background of this case study.

Discuss in 2s or 3s:

- Where does the case study (based on the description I have given) perform well against the four 'evaluation' steps?

- Where does it seem lacking, or where do we need more information?

The importance of consistency

Consistency, where possible, allows for cross-policy and cross-programme comparison when considering VfM.
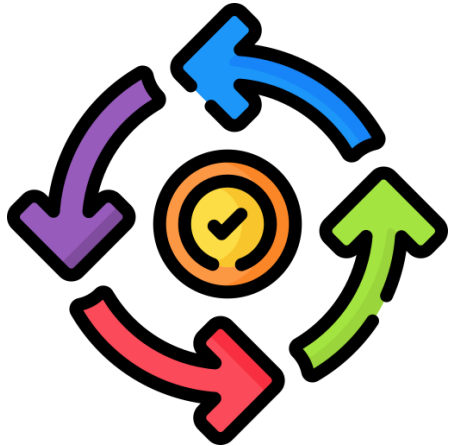
We should strive for a consistent interpretation of what 'excellent', 'good', 'adequate', and 'poor' performance means in every VfM evaluation, as far as possible.

Keep in mind the importance of being able to compare the VfM of different programmes and policies, both when designing a VfM approach and evaluating the VfM of a programme or policy.

The opportunities and limitations of a VfM approach

Opportunities:
- Holistic assessment
- Improved resource allocation
- Enhanced accountability and transparency

Limitations:
- Complexity in measuring value
- Time and resource intensive

Risks:
- Oversimplification of value
- Negative impact on innovation
- Resource diversion
- Risk of lack of stakeholder buy-in

Communicating VfM results

Recommendations for communicating VfM results

Adapt to your audience

Emphasise key findings and their implications

Be transparent

Use clear and accessible language

Maintain balance in reporting

Use consistency to enable comparison of reporting

Integrate and communicate VfM results evaluations with other evaluation types

Case study: Data visualisation of results

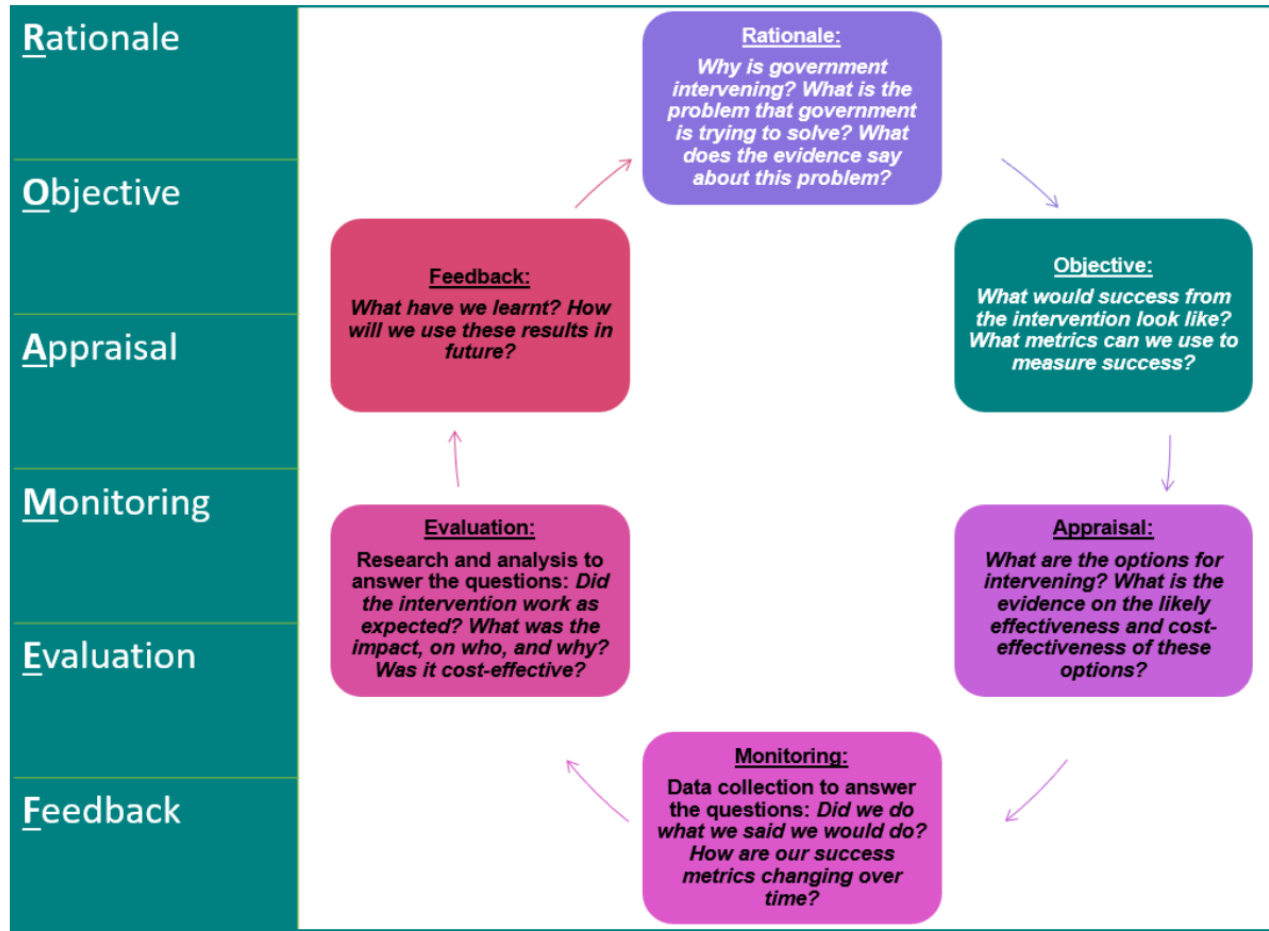| Type	Benefits and costs	Financial years	Lower value, £ billions	Central value, £ billions	Upper value, £ billions
Effectiveness	Preservation of economic output	2020/21 to 2025/26	41.0	58.0	91.0
Equity and equality	Equity benefits	2020/21 to 2021/22	6.0	6.2	6.2
Economy	Gross cost of grants	2020/21	-12.1	-12.1	-12.1
Economy	Gross cost of grants	2021/22	-1.7	-1.7	-1.7
Economy	Tax and NICs	2020/21	2.7	2.7	2.7
Economy	Tax and NICs	2021/22	0.4	0.4	0.4
Economy	Cost of implementation	2020/21	-[low]	-[low]	-[low]
Economy	Cost of implementation	2021/22	-[low]	-[low]	-[low]
Efficiency	Error and fraud	2020/21 to 2021/22	-2.0	-3.5	-5.4
All Es	Total Benefits PV	2020/21	50.1	67.3	100.3
All Es	Total Cost PV	2020/21	-15.9	-17.4	-19.3
All Es	NPV	2020/21	34.2	49.9	81.0

Review the data visualisation.

Based on the points you have just heard about communicating **the results of VfM evaluation:**

- How well are the results of this case study communicated? Is there anything it does particularly well?
- Is there anything you would change based on what you've just heard?

Advocacy and application of learning

Including VfM evaluations across the policy lifecycle

Rationale
Objective
Appraisal
Monitoring
Evaluation
Feedback

Rationale:
Why is government intervening? What is the problem that government is trying to solve? What does the evidence say about this problem?

Objective:
What would success from the intervention look like? What metrics can we use to measure success?

Appraisal:
What are the options for intervening? What is the evidence on the likely effectiveness and cost-effectiveness of these options?

Monitoring:
Data collection to answer the questions: *Did we do what we said we would do? How are our success metrics changing over time?*

Evaluation:
Research and analysis to answer the questions: *Did the intervention work as expected? What was the impact, on who, and why? Was it cost-effective?*

Feedback:
What have we learnt? How will we use these results in future?

Activity: How does what you have learned today fit into the ROAMEF cycle?

- Think about an upcoming or current evaluation or policy you are involved in. How can you apply your learning from this module to influence that work?

- What barriers exist? How do you push through? What people or resources can support you?

- Write an intention for how you will use this in your work in the next 1-2 months.

Summary

What we've covered today:

- What VfM is, and why it is useful (optimising resource allocation; supporting effective benchmarking; accountability and transparency; organisational benefits)
- The 'Four Es' (Economy, Efficiency, Effectiveness, and Equity)
- The OPM/King framework for VfM evaluation
  - The importance of programme-specific definitions of the 4Es, and the use of Standards
  - The 8 practical steps suggested for VfM evaluation (split into Design steps and Evaluation steps)
- How VfM fits in with other evaluation approaches (such as TOC, Impact Evaluation and Process Evaluation)
- The opportunities and limitations associated with a VfM approach
- Communicating the results of VfM evaluation

Further resources

Resource
Assessing Value for Money: the Oxford Policy Management Approach
Evaluation and Value for Money: UK Evaluation Academy online training April 2024
National Audit Office's Successful Commissioning Toolkit: Assessing value for money
Case study: Evaluation of the Coronavirus Job Retention Scheme

Value for Money