LAMP
DEVELOPMENT

LAMP Notes: How to develop a VfM Framework

Version 1 - August 2019

This is a working document that we will revise regularly to keep up with recent practice and guidance, any thoughts? Let @lampdevelopment know!

LAMP DEVELOPMENT

What is a Value for Money Framework?

A Value for Money (VfM) Framework is a document that sets out the detail of how an organisation or programme will routinely measure, monitor and report VfM information. The Framework is based on the **core VfM questions** set out in the accompanying VfM Strategy document (*see LAMP Notes: How to develop a VfM Strategy*). The aim of the Framework is to provide a basis for a more objective judgement on value for money as performance is assessed against selected measures, rather than ad hoc examples of VfM.

It is useful to have a VfM Framework as a separate document from the VfM Strategy as the framework may be adjusted over time in light of data availability. The framework and strategy have different audiences as well. The framework is written primarily for people involved in the measurement of VfM and so should serve as a practical guide.

For further reading on VfM see LAMP's VfM resource section – VfM Guidance and Approaches

Why do we need a VfM Framework?

A *VfM Strategy* articulates the principles on which a programme is designed to achieve maximum impact with the available resources. The *VfM Framework* provides a consistent way of measuring and reporting whether the programme *continues* to represent good value for money. Used as an assessment framework, it helps to demonstrate and improve value for money during implementation. The metrics and sources of evidence described in the framework are expected to generate information to drive decisions on how resources are used to maximize impact.

A good VfM Framework is located within a broader strategy for delivering impact. A common approach developed by the National Audit Office and adopted by donors such as DFID is based on the 4 Es criteria of Economy, Efficiency, Effectiveness and Equity. Looking at VfM using the 4 Es helps to examine whether value for money is being achieved at each stage of the results chain. However, although a framework will be based on the 4 Es, it is important to remember that ultimately, a VfM assessment *looks across* the 4 Es to inform an overall assessment of *whether impact is being achieved and at what cost*.

What goes into a VfM Framework?

A VfM Framework contains a selection of measures that answer the core VfM questions. Measures consists of a combination of metrics (monetary/quantitative) and evidence (including qualitative). These can be reported on a quarterly or annual basis depending on data availability and reporting requirements. To strengthen the objectivity of the measures, you can use the following ways to assess value for money:

- Benchmarks: External benchmarks can be sourced from other similar projects. Internal benchmarking can be undertaken by making comparisons between different locations within the project;

- Trend: Measuring the indicator annually over three or more years (more frequent data points), you can look at the trend over time and also compare to a projected 'do nothing' trend;

- Standalone: These are one-off examples of VfM within the reporting period.

	Monetary	Quantitative	Qualitative
Economy			
Efficiency			
Effectiveness			

What does good look like?

Comparisons:

- *Standalone*
- *Trend*
- *Benchmark*

Table from ITAD's Better Assessing VFM Framework

A framework should provide useful information to the project and not create an unnecessary burden. More specifically indicators and evidence:

- Use data from existing reporting systems or readily available data;

- Reference the original business case for the programme;

- Align with a 4 Es approach to VfM to assess value along the results chain;

- Provide information to the programme to drive decisions which promote impact and reduce costs;

- Cover the main costs, the most important activities and consider risk.

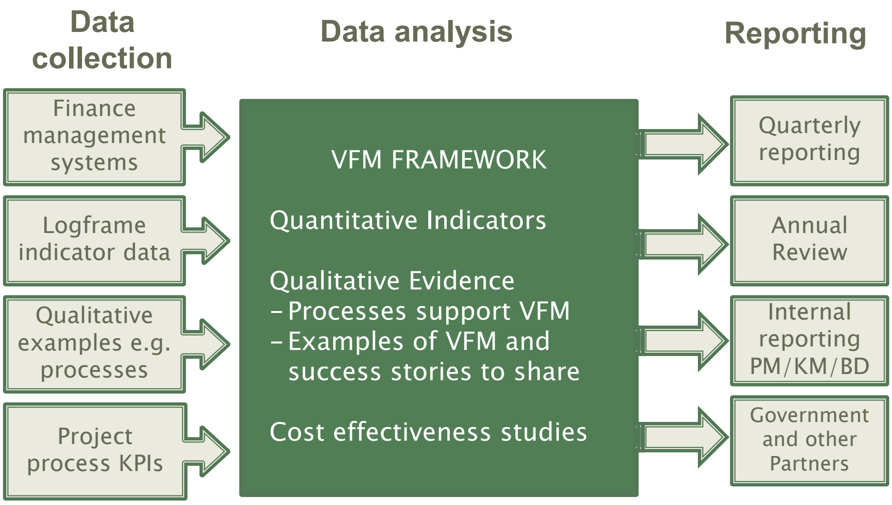
Example VfM Framework outline:

A VfM Framework document may use the following structure:

1 *Introduction*

Introduce the project briefly, linking the VfM Framework to the VfM Strategy document. This may include a VfM Statement and Core VfM Questions. Outline the purpose and structure of the document.

2 *Value for Money Framework*



This section details the measures that will be used to answer the VfM Questions, data sources, type of analysis and frequency of reporting. There should be a mix of measures across the 4 Es of Economy, Efficiency, Effectiveness and Equity. For each VfM question select at least one method to respond - a metric, case studies, one-off analyses or qualitative evidence. These will be the measures used by the programme to monitor and report on VfM on an annual or quarterly basis. See Annex 2 for an example table.

Within this section, you can also capture the rationale for each measure. When selecting the methods to use, consider the availability of data, the strength of the analysis (cost or quantitative metric, e.g. unit cost, may be more compelling for some measures, qualitative data may provide more insight for others) and the resources (time and skills) needed to produce the analysis. You tend to start with a long list of potential indicators and evidence that could be used, but end up with a selection of measures and methods in the framework to provide a robust assessment of VfM, whilst being manageable.

3 *Data collection*

Describe the financial systems in place for collecting VfM data. Include key information such as the financial year of the programme (e.g. January to December or April to March) and how the financial reports are structured. Also describe how non-financial data will be collected.

Example of how financial reports are structured:

- Expenditure by input
- Expenditure by output
- Expenditure by location

Examples of non-financial data to be collected:

- Logframe or results framework output level indicators
- Activity tracking data
- Qualitative evidence from programme reports
- Qualitative data from key informant interviews

Indicator reference sheets are useful tools to specify definitions, data sources, responsibilities, timings and details of calculations. An example indicator reference sheet template is found in Annex 1.

4 *Reporting*

Detail the type and frequency of reporting (internal and external reporting). Also, the responsibilities and timeline for producing reports.

5 *Implementing the framework*

What are the activities needed to implement the framework? They may include the training planned or undertaken to implement the VfM Strategy and Framework. Reference **tools and templates** being used to collect and report on VfM. These can be included as annexes to the document e.g. indicator reference sheets; data collection and analysis tools; reporting templates.

Next steps for developing a VfM Framework:

- First step is to develop a VfM Strategy (see *LAMP Notes: How to develop a VfM Strategy*)
- Review shortlist of questions developed as part of VfM Strategy and develop set of indicators and other appropriate evidence
- Put in place data collection procedures for capturing this information
- Write VfM Framework document
- Review and sign off VfM Strategy and Framework internally and with the donor

LAMP Tips

A framework is a working document – review the document annually and adapt it, if needed, to match the programme stage.

Involve M&E, Finance and Programme leads – input from M&E, Finance and Programme leads are key to developing useful indicators that are not a burden on reporting.

Review the Strategy and Framework regularly – initially the VfM Strategy and Framework should be reviewed internally and then submitted to the donor as a key programme document or as part of the M&E plan and signed off. Then, review the Strategy and Framework annually and update based on programme design changes. Add or remove or change indicators to ensure that the framework continues to provide relevant data to assess VfM and useful information to inform management decisions.

Build in annual VfM assessment or analysis into the M&E budget – integrate VfM indicators into the M&E plan for each project and specify data sources, timing of data collection and reporting; and roles and responsibilities.

Share VfM findings – Ensure that VfM is documented from current and future impact assessments and cost effectiveness studies. Share data collection/analysis tools internally so other projects can make use of them. Upload summary of findings to track record library so they can be used in future proposals.

References

This work is reliant upon a number of key resources including:

DFID's approach to Value for Money, *link here*

ICAI, DFID's Approach to value for money in programme and portfolio management*, link here*

Farida Fleming, Better Evaluation Methods for Assessing Value for Money, *link here*

Julian Barr and Angela Christie, ITAD, Better Value for Money*, link here*

Julian Barr and Angela Christie, CDI, Improving the Practice of Value for Money Assessment, *link here*

National Audit Office, Assessing Value for Money framework, *link here*

Annex 1: Example indicator reference sheet

VfM INDICATOR REFERENCE SHEET			
Indicator 1: For example £ per £ value for X benefits			
DESCRIPTION, RATIONALE, DEFINITION			
Description: This indicator uses a cost benefit analysis approach to demonstrating VfM of the X component of the intervention			
Rationale: This is to measure effectiveness of the X component of the intervention. A positive net benefit (expressed in Net Present Value) will demonstrate the VfM of the intervention.			
Definition of Key Terms: • **Cost Benefit Analysis (CBA):** is a technique for assessing the monetary social costs and benefits of a capital investment project over a given time period. • **Net Present Value:** This reflects the net benefit of a project in monetary terms. To calculate the NPV, subtract the total discounted costs from the total discounted benefits.			
Methodology for Calculation: The NPV is estimated by identifying all the monetary and non monetary benefits of the intervention, and discounted to the present value, minus the total program cost (discounted)			
PLAN FOR DATA ACQUISITION			
Data Source(s): Survey data, Program M&E data **Indicator type:** Quantitative, trend over time **Unit of Measure:** Monetary **Level:** Programme Component **Frequency of Data Acquisition:** Annual **Person(s) Responsible:** M&E Manager			
CRITICAL ASSUMPTIONS, RISKS, CHALLENGES, AND DATA QUALITY ISSUES			
Baseline	Milestone 1	Milestone 2	Target
Last Updated:			

Annex 2: Example table for presentation of indicators, case-studies and one-off studies

Core Economic Question /VfM Stage	VfM Question	Rationale	Indicator/measurement	Evidence	Data and Analysis	Assessment	Frequency of reporting	Level of reporting	Core Economic Question / VfM Stage
Efficiency	e.g. What is the average unit cost of X? How does this compare to plan, between states, over time and with comparable projects	This can be compared between states and used to explore cost drivers e.g. location. Also, to other comparable programmes	Unit cost of X	Evidence of sustainability	Relevant costs of X. Calculate and report additional from baseline, cumulatively.	Compare with plan, compare between States and over time. Compare with external benchmarks Y and Z. Monitor to see how improvements in planning, coordination can help to reduced unit costs	Quarterly	*State level*	Efficiency