

Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	---	--

## **Part 2 Value for Money Contents**

2.1 Assessing Value for Money  
Appendices and Related Documents

Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	---	--

## Part 2.1 Assessing Value for Money

### Purpose

The purpose of this procedure is to summarise the Value for Money (VFM) process. VFM is a tool for determining economy, efficiency and effectiveness of Derbyshire Supporting People services.

### Definitions

The abbreviation VFM refers to Value for Money

## 1. Introduction

Derbyshire Supporting People Partnership has adopted a cost effective method of analysis to assist in identifying value for money. This involves comparing the activities of different providers offering similar services for the same primary client group whilst aiming to achieve similar outcomes.

### 1.1 The VFM Assessment Process

The assessment for VFM focuses on the following:

- Inputs
- Outputs
- Outcomes
- Service User Involvement and Feedback
- Review of the cost of the Service

This procedure applies to carrying out VFM Assessments on existing services that have not been subject to the tender process.

It is anticipated that any requests for VFM Assessments would be discussed and agreed with Providers in advance; with Supporting People giving Providers as much notice as possible. Wherever possible this will be linked to the Contract Management Meeting Process.

However, in certain circumstances there may be a requirement to carry out a VFM Assessment at shorter notice (reference Service Standards Document Section 6.2). This would be only for services where there are a range of concerns and issues that are ongoing about the current and future effectiveness of service provision. This could also include where concerns have been raised by stakeholders. This would be at the discretion of the Contracts Manager and Senior Finance Officer with approval from the Supporting People Manager.

### 2.2 When is a VFM Assessment carried out?

The VFM procedure could apply in the following circumstances:

Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	---	--

- During the Review of services in accordance with the Derbyshire Supporting People Procurement Schedule
- To inform future commissioning decisions, at the request of a Project Board.
- If a Provider is requesting any increase in funding over and above the Derbyshire Supporting People Inflationary increase.
- There are concerns raised by the Provider over the financial viability of a service
- Concerns relating to Value for Money identified through Contract Management Meetings
- The Provider is proposing “significant” changes to the service including:
  - Changes to Support Hours Provided
  - Changes to Contract Value
  - Changes to the Unit Numbers of Services
- Services are being re-designed, and are not undergoing a re-tender
- Services are being merged, including one Provider taking over another.

Note: There may be circumstances where a VFM Assessment may need to be carried out on services that have been tendered. This would be where the Provider is proposing a service redesign, merger of existing services, or where the Provider has expressed concerns over the financial viability of their service.

### **2.3 Timescales for VFM Assessments**

VFM Assessments are to be carried out by the Senior Finance Officer and Contracts Manager within 20 working days. As Providers will normally have been given advance notice of the VFM Assessment it is expected that Providers would assist Supporting People to meet these timescales, and this will be monitored by Supporting People (**see Appendix 4**).

If Providers are having difficulties in supplying the information within the requested timescale then they are encouraged to contact the Contracts Manager or Senior Finance Officer to agree revised time-scales that are appropriate both to the service and Supporting People.

### **2.4 Cost Modelling Tool**

Derbyshire Supporting People will use the CLG Cost Modelling Tool in accordance with guidance from the East Midlands Regional Implementation Group (EMRIG).

### **2.5 Principles of VFM Assessments**

- Derbyshire Supporting People will work with Providers to ensure that all relevant information is taken into account when making the VFM Assessment.
- Derbyshire Supporting People will offer Providers any necessary help, training or assistance with the process.
- Providers are encouraged to generate the information requested in an appropriate timescale.
- Derbyshire Supporting People will give feedback to a Provider following a VFM Assessment and a Provider will have opportunity to comment on the resultant information.

Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	---	--

- Value for money is a relative concept and so can only be judged by means of comparisons between services. Services with particularly high or low costs will be identified.
- Comparisons can be complex and Derbyshire Supporting People will ensure that the comparisons are made between similar services eg size, type, primary client group. Derbyshire Supporting People recognise that no two services are identical.
- The purpose of the VFM Assessment is not to seek to bring all costs down to those of the lowest regardless of quality.
- The information obtained from the VFM Assessment would be used to inform tendering decisions, the review of services and future commissioning principles.

### 3 Procedure

#### 3.1 Inputs - Information to be requested from by Providers

The Contracts Manager, Purchasing Officers or Senior Finance Officer are responsible for requesting information from the Providers and will notify affected staff within the Supporting People team of any requests (eg Purchasing Officers).

Providers will be asked to submit budget information in a standard format, and may be asked to supply supporting information such as: staffing information, audited accounts and the current Business Plan.

3.1.1 All Providers are required to submit

##### **Budget Template**

Each Provider is required to give a breakdown of their costs using the Derbyshire Supporting People budget template (**Appendix 1**).

Should a Provider wish to submit their own-format budget sheet this must be agreed with the Senior Finance Officer. In the event of a Provider's own budget template being submitted the information required by the Senior Finance Officer must be easy to identify and access.

The Provider is encouraged to identify the budget relationship between different elements of its activities (Supporting People funded or not) to ensure there is a fair apportionment of costs. This ensures that when comparisons are made between different services any additional funding which may be subsidising some activities is clearly identified.

Derbyshire Supporting People encourages Providers to follow Full Cost Recovery principles. Should any Providers experience difficulties completing the Budget Sheet because they are unclear of how their costs relating to Supporting People training and advice will be made available by the Supporting People Team.

Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	---	--

3.1.2 There may be a requirement for the following information and should this be requested Providers are expected to provide the appropriate information within the agreed timescale.

### **Staffing Information**

Providers may be asked to supply information on the staffing structure including the salary for each staff grade. This may result in Providers being asked to explain their reasoning for the differences in the grades. If a Provider pays staff lower wages than other Providers they may be asked about staff retention and staff skill mix. Information on the experience and training of staff may also be requested.

Providers may be asked to complete a record of actual contact time and / or schedule of activity over two weeks to try to achieve an average working week one week showing a breakdown of the type of housing related support

### **Audited Accounts and Business Plan**

The Senior Finance Officer may request the last set of audited accounts to be forwarded to Supporting People. In addition the Provider may be asked to supply the latest version of the Business Plan.

### **Other information**

Other information that Supporting People may take into account include the suitability of accommodation with respect to cost, the role of volunteers and the organisational management infrastructure costs. Providers may be asked for information relating to this.

### **Failure by Providers to supply the information requested by Supporting People**

Supporting People are prepared to work flexibly with Providers, however, if after agreement of a revised timescale, and continued requests, a Provider fails to supply the necessary information this will be raised with Core Strategy Group. This may result in a Default Notice being issued. This would apply, particularly, where the assessment has been initiated due to concerns over the Value for Money of a Service.

## **3.2 Outputs - Information available to Supporting People through Reporting Mechanisms**

### **3.2.1 Performance Indicators**

Information from the quarterly Performance Indicator workbooks submitted by Providers can be used to help determine the effectiveness of a service.

Annual Performance Indicator Triggers are agreed by the Derbyshire Supporting People Core Strategy Group (CSG) and through consultation with the Provider Working Group.

Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	---	--

When carrying out a VFM Review the Contracts Manager and Senior Finance Officer can take into account the following data from the Performance Indicators:

Availability

Utilisation

KPI 1 % of Service Users maintaining independence (long-term services) and

KPI 2 % planned moves (short-term services).

SPI 3 % Staffing/Support Hours Provided

Local Performance Indicators can also be taken into consideration where relevant – including numbers of referrals and numbers on waiting lists. This information provides valuable background on the need for the service in relation to the Supporting People Five Year Strategy.

### **3.2.2 Quality Assessment Framework (QAF)**

The Performance Levels from the QAF is another mechanism available to assess a Service.

When carrying out a VFM review the Senior Finance Officer and Contracts Manager can take into account the improvements made by Providers within Service through the QAF Performance Levels. This will also include performance over and above Performance Level C where a QAF lite applies to the service.

### **3.2.3 Contract Management Meetings**

The Contracts Manager and Purchasing Officers will also provide any other relevant information arising from the Contract Management Meetings include the information supplied by Providers on Service User Involvement and Added Value Activities.

### **3.2.4 Fair Access and Diversity**

As part of the VFM review Derbyshire Supporting People will confirm that the services being reviewed promote fair access to a broad range of disadvantaged groups. This would include, but is not limited to; BME, lesbian, gay, bisexual and transgender. The information supplied by the Provider in the QAF and on the Fair Access and Diversity questionnaire will be considered.

## **1.3 Service User Involvement and Feedback**

Service User Involvement and feedback is taken into account during the VFM assessment process. The Contracts Manager and/or the Senior Finance Officer will identify when Service User Involvement is appropriate and document this decision on the VFM Checklist (Appendix 4).

Service User Involvement could take the form of:

Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	---	--

- face to face discussion
- peer reviewing
- questionnaires
- identifying positive outcomes

Providers are encouraged to share information on Service User Involvement through the Contract Management Meetings and this information is to be taken into account.

Derbyshire Supporting People have included a supplementary Service Objective into the Quality Assessment Framework Document (QAF) and the Performance Level the Provider has achieved across all elements of the QAF will also be considered as a part of the VFM assessment.

### **3.4 Outcomes Reporting**

Information on National Outcomes and Regional Outcomes will be taken into account. Derbyshire Supporting People will develop systems for the analysis and reporting of National Outcomes (short and long-term services) and Regional Outcomes. This information will be taken into account when assessing VFM.

### **3.5 Reviewing the Cost of the Service**

The budget sheet and additional information is reviewed by the Senior Finance Officer. The Senior Finance Officer compares this information with other data available from similar Providers. A record of this review is recorded by the Senior Finance Officer and filed electronically in the Provider Folder/VFM.

#### **3.5.2 The Senior Finance Officer:**

- Calculates Unit Costs for the service by taking the annual cost of the service and dividing this by the number of units. This figure is compared with the average unit cost for similar services in Derbyshire, the local region and against national data available.
- Calculates Hourly Support Costs by taking the weekly cost of the service and dividing by the number of support hours as identified in the service schedule of the contract, and the contract page of the Performance Indicator workbook where this information is available. This figure is compared with the average unit cost for similar services in Derbyshire, the local region and against national data available.
- Where possible calculates the ratio between the number of support hours and the actual contact time which will reflect on the effectiveness of the organisation. Note: For Floating Support Services there is the expectation the Provider will maintain records to demonstrate that packages of support will reduce over time as individuals gain the skills to live independently.
- Reviews the total number of Support Hours required to provide the whole of the service eg management time, supervision, administration etc. Using unit cost of support hours does not give a true reflection of

Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	---	--

the actual cost of providing one hour of direct support to a Service User. Therefore Providers may be asked to identify for an average week the actual hours of contact time.

- Compares individual budget lines to ensure costs of services are treated in similar ways by Providers. For example non-profit making organisations charge management costs (usually expressed as a percentage of the total costs of the service) and include different activities within this cost eg building up contingency funds as per Charity Commission guidelines, whereas profit making organisations make a standard percentage charge as a profit margin.
- Calculates and reviews the ratio of staff to infrastructure costs. The percentage of staff costs are calculated (direct and indirect) against the office service costs.
- Request further information and clarification from the Provider should the staff costs be identified as below 80% of the total cost. The Provider will be requested to provide in writing an explanation of the split in costs and the appropriateness of the costs being charged to Supporting People. This analysis identifies those services having high supervisory/management infrastructure costs which may have little impact on the amount or quality of contact time.
- Identifies where the Provider is subsidising from another funding source and where appropriate will seeks assurances from the Provider about the security and long-term availability of the other funding.
- Works with the Supporting People Manager and Contracts Manager to confirm whether the service is strategically relevant and meets the documented eligibility criteria.
- Records the VFM Assessment on the form in Appendix 3 and files the electronic records in the Provider Folder VFM section. The hard copies of any information provided will be retained in a central file within the Accounts office.

### **3.6 Reporting the VFM Assessments**

Dependent on how the request to carry out VFM Assessment was generated; the report will be made by the Senior Finance Officer through one of the routes below.

#### **\* Reported back as part of the review of services**

If the requirement for a VFM Assessment has originated through the Review of Services, in accordance with the Procurement schedule, the Senior Finance officer feeds the information back to the Project Board.

#### **\* To the Core Strategy Group or Commissioning Body**

This will be reported in accordance with Appendix 3.

This is consistent with the Contract Variation Procedure.

Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	---	--

Reporting the result of the VFM Procedure to the Providers will be through one the following routes:

**\* Reported back as part of the review of services**

If the requirement for a VFM Assessment has originated through the Review of Services in accordance with the Procurement Schedule the Project Board will decide how and when the information is to be feedback.

**\* Reported back through the Contract Management Meeting**

The Senior Finance Officer will provide information on the outcome of the VFM Assessment to the relevant Purchasing Officer. The Purchasing Officer will provide feedback on the VFM Assessment though the Contract Management Meeting.

Should a meeting not be scheduled for some time in the future this may be reported in writing by the Purchasing Officer to the Provider.

Where the VFM Assessment has been reported to the CSG, the feedback will be given to the Provider after any recommendations have been agreed by the CSG.

The outcome of the VFM Assessment will be reported back to the Provider within six weeks of completion or after the relevant CSG meeting (see below).

The Provider may be asked as a result of the VFM Assessment to develop an action plan to address the points raised. It is expected that this plan would be drawn up in a timely manner and the actions and time-scales would be agreed with the Contracts Manager or Purchasing Officer.

Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	---	--

## **Part 2.1 Assessing Value for Money Appendices Contents**

- 1 - Budget Template
- 2 - Example of VFM Unit Costings for a Generic Floating Support Based Service
- 3 - Table Identifying Levels of Authority for Authorisation of Changes to Service Provision
- 4 - Checklist for VFM Assessment
- 5 - Flowchart of the VFM Process

Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	---	--

**Part 2.1 Assessing Value for Money Appendix 1**

<b>Budget Template</b>	<b>TOTAL COSTS</b>	<b>COMMENTS</b>
<b>DIRECT STAFF COSTS</b>		
Manager		
Senior Support Staff		
Support Staff		
Other (please detail)		
<b>INDIRECT STAFF COSTS</b>		
National Insurance		
Pension		
Travel		
Training		
Recruitment		
Other (please detail)		
<b>OFFICE/SERVICE COSTS</b>		
Insurance		
Water Charges		
Heat and Light		
Telephone/Postage and Stationery		
Repairs and Maintenance		
Renewals and Replacements		
Furniture and Equipment		
Housekeeping Sundries		
Other (please detail)		
<b>MANAGEMENT CHARGES</b>		
<b>TOTAL ANNUAL REVENUE COST</b> (for provision of services as specified)		
<b>NUMBER OF SUPPORT HOURS</b>		
<b>NUMBER OF SERVICE UNITS</b>		
<b>WEEKLY UNIT COST FOR SERVICE</b>		
<b>HOURLY COST</b>		

Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	---	--

## Part 2.1 Assessing Value for Money - Appendix 2 - Example of VFM Unit Costings for a Generic Floating Support Based Service

The Table below compares a Floating Support Service with similar provision in Derbyshire. The table shows that the service has a similar staffing input and available support hours when compared with the average provision. The hourly cost is however £5 greater per hour than the average cost.

Project Name	Provider Name	Averages of Similar Services funded by Derbyshire SP Team
Service ID Number		4 services – including this one - 99 units available
Client Group	Generic	Generic
Total Yearly Cost 04/05	£88,551.55	
Support Hours	72 hours	85.74 hours
Service Units	19	25
Hourly Cost	£23.59	£18.45
apportioned staff per unit per week*	0.10: 1 unit	0.09 : 1 unit
apportioned hours per unit per week*	3.79 hours : 1 unit	3.53 hours : 1 unit
Weekly Unit Cost	£89.38	£68.23
East Midlands Regional Average**		£73.93
National Average of Similar Services**		£49.33

**Notes:**

\* the hourly price, the ratio of support hours available and ratio of support staff available for each service were calculated from the information supplied on the Quarterly Performance Indicators which show number of units available and the staffing input.

\*\* shows the average unit cost for similar services in the East Midlands Region and Nationally. The figures for the region and nationally were provided by the ODPM in January 2004.

Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	---	--

## **Part 2.1 Assessing Value for Money - Appendix 3 - Table Identifying Levels of Authority for Authorisation of Changes to Service Provision**

<p><b>Approval by Purchasing Officer (to be counter-signed by Contracts Manager)</b></p> <ul style="list-style-type: none"> <li>• Changes that have no adverse effect on the value for money or level of support of a service eg reappportionment of support hours from management to front line staff within a service</li> <li>• Changes that improve the value for money or level of support of a service eg increasing support hours with no increased charge (at that time or in the future) to Supporting People.</li> </ul>
<p><b>Approval by Contracts Manager</b></p> <ul style="list-style-type: none"> <li>• An increase to the unit numbers of Block Gross Contracts</li> <li>• Changes to either the primary or secondary client group of a service that does not impact on its strategic relevance or value for money.</li> </ul>
<p><b>Approval by Supporting People Manager and/or Assistant Director (Strategy and Commissioning)</b></p> <ul style="list-style-type: none"> <li>• For changes in funding less than £5,000 per annum authorisation can be given by the Supporting People Manager</li> <li>• For changes in funding between £5,000 per annum and £10,000 per annum authorisation can be given by the Assistant Director (Strategy and Commissioning).</li> </ul>
<p><b>Approval by Core Strategy Group</b></p> <ul style="list-style-type: none"> <li>• Changes that have an adverse effect on the value for money or level of support of a service eg reduction of support hours</li> <li>• Any changes to the unit numbers of Block Subsidy contracts</li> <li>• A reduction to the unit numbers of Block Gross Contracts</li> <li>• Changes in funding levels that exceed £10,000 per annum excluding inflationary increases at the agreed inflation rate).</li> <li>• Changes to either the primary or secondary client group of a service that will impact on its strategic relevance or value for money</li> <li>• Reappportionment of funding between different services with the same Provider (this includes those instances where there is no overall change in the level of funding but the changes are considered significant).</li> </ul>

**The Core Strategy Group then determines which recommendations need to be forwarded to the Commissioning Body for approval.**

Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	---	--

## **Part 2.1 Assessing Value for Money - Appendix 4 Checklist for VFM Assessment**

**Date VFM Requested**

**Requested by (Name)**

**Reason for Request**

**Inputs – Information Requested from Provider  
(Date Requested, Date Received, Comments)**

**Budget Template**

**Staffing Information**

**Audited Accounts**

**Business Plan**

**Other Information**

**Outputs**

**Detail the information reviewed as part of this VFM Procedure. Include any relevant comments.**

**Is Service User feedback Required? Yes or No**

Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	---	--

**Detail reasons**

**Is the Provider reporting Outcomes? Yes or No**

**Comments**

**Date VFM Report produced**

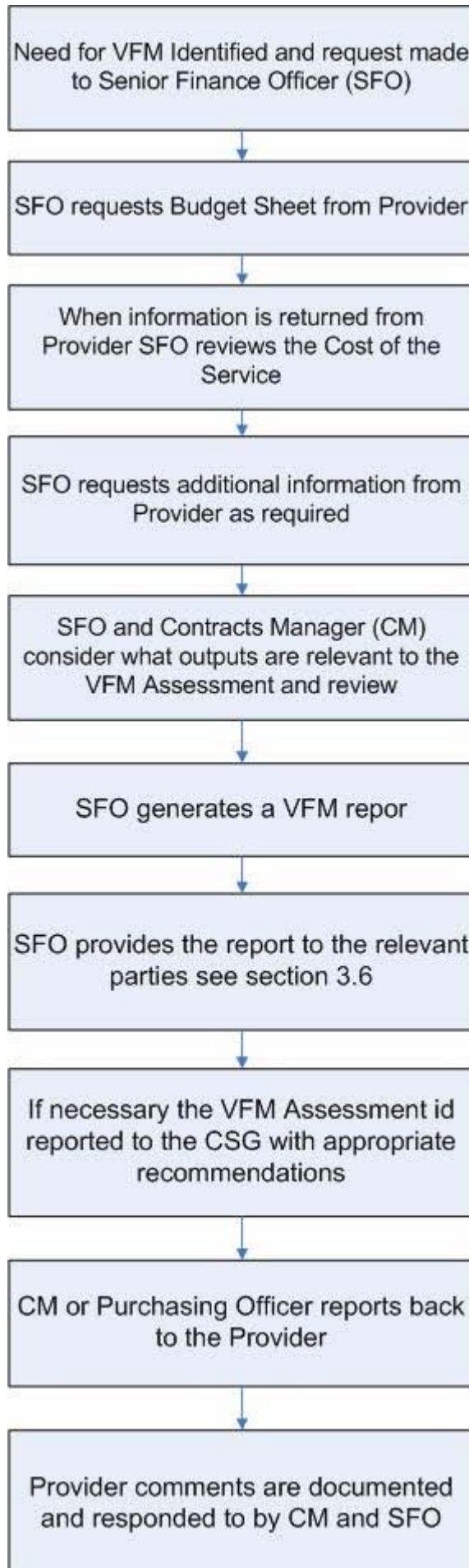
**Who has received a copy of the report eg Project Board, CSG, Contracts Manager/Purchasing Officers**

**When was VFM Assessment reported back to Providers?**

**Have Providers comments been addressed? Include summary and date.**

Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	---	--

**Part 2.1 Assessing Value for Money - Appendix 5 Flowchart of the VFM Process**



Version 1	Derbyshire Adult Social Services Supporting People Procedures	Published: March 08 Review due: Sept 09
-----------	--	--