

**Value for Money Policy**

Hertfordshire

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## 1 Introduction

- 1.1.1 Supporting People (SP) Administering Authorities (AA) are required to assess the value for money (VfM) and eligibility of every service that is funded by the programme. This is a key element of the service review process and is a consideration of not only the costs but also the quality, strategic relevance and outcomes delivered by the service. The Commissioning Body is also required to agree a standard process for assessing the above and to make this publicly available.
- 1.1.2 This policy aims to set out a robust and transparent methodology which is important for structure and accountability when making VfM judgements.

## 2 Aims and objectives

- 2.1.1 This policy will be utilised when assessing the VfM of services currently receiving SP Grant in Hertfordshire and in considering the price of proposed new services.
- 2.1.2 The aim of this guidance is to:
- Provide a consistent and accurate tool for assessing value for money
  - Allow for objective, accountable, and transparent value for money assessment
  - Consider individual provider and service characteristics and quality when assessing value for money
  - Take into account appropriate guidance on assessing value for money
  - Provide guidance for analysing Supporting People budgets

## 3 Definitions

- 3.1.1 Communities & Local Government (CLG) formerly the Office of the Deputy Prime Minister (ODPM) defines VfM as:
- ‘A judgement about the price of a service in the light of the perceived value of that service’ (ODPM Introductory Practice Aid)*
- 3.1.2 VfM can be quantified by examining the following:
- Inputs: such as number of staff, number of support hours, skill levels of staff.
  - Outputs: such as number of support hours delivered, number of units/bedspaces.
  - Outcomes: such as benefits realisation, re-offending rates, prevention of hospitalisation.
- 3.1.3 A Cost Effectiveness Analysis (CEA) compares the costs of services that aim to achieve similar outcomes.
- 3.1.4 A Cost Benefit Analysis (CBA) compares the costs and benefits of different types of services that don't necessarily aim to achieve the same outcomes.
- 3.1.5 Whilst we have recognised the need to replace our earlier VfM methodology, in the first instance our VfM assessments will focus on a CEA approach due to the current lack of measurable data regarding outcomes of services and what the benefits are in monetary terms. In the long term we will move towards a CBA assessment.
- 3.1.6 VfM will continue to be a key issue as AAs commission and procure new and existing services and work to meet the requirement to demonstrate efficiency. We recognise that there is a need to move from a performance management framework primarily

based on outputs to one that demonstrates outcomes, and this framework will be reviewed in line with the evolving CLG and regional work on outcomes.

## **4 Assessing VfM**

4.1.1 In reaching a recommendation on the VfM offered by a particular service, the Supporting People team will review all available data and ask themselves the following questions about the service:

- Is the service eligible for Supporting People Grant (SPG) i.e. is it predominately delivering a housing related support service?
- Is the price right?
- If the service is jointly funded, is there a convincing rationale for the funding splits?
- Is most of the grant being spent on staffing and related costs?
- Is the intensity of support offered appropriate for service users and the authority?
- Is the service helping service users to maintain independent living?
- Is the service meeting the diverse needs of local communities?
- Is the service meeting strategic aims?
- Does the service meet quality standards?
- Is it the service model appropriate for service users?
- Is the service delivering effective outcomes and outputs for its service users and for the authority?

4.1.2 Our approach is based on the CLG (ODPM) publication “A streamlined approach to assessing Value for Money and eligibility in Supporting People funded services” using the key measures of :

- Unit price (defined as the price per hour of support)
- The weekly number of hours of housing related support which the programme is prepared to fund for different categories of support.

## **5 VfM return**

5.1.1 When undertaking VfM reviews, we will require service providers to submit an Excel workbook in our standard format (Appendix A). This is designed to identify the budgeted income and expenditure for the service in total, and show how costs are apportioned between support services and other activities.

5.1.2 The information collected through the annual financial return will be analysed in order to establish:

- That Supporting People funding is being used to fund only eligible services;
- That the level of staff costs is reasonable;
- That allocation of costs to support are reasonable;
- That the level of central overheads allocated to the service are reasonable; and
- That the level of surplus or deficit on the service is reasonable.

5.1.3 Where these indicators appear problematic, further investigation will be carried out with providers to determine the reason behind this. We may ask for further information or breakdowns where costs are significantly higher or lower than for comparable providers.

## **6 Eligibility**

- 6.1.1 The Authority has separately published its updated Eligibility Criteria for SPG. These define the expenditure which the Authority determines to be Housing Related Support and therefore eligible for SPG
- 6.1.2 As part of the VfM process the authority will ask providers to certify the proportion of staff time allocated to eligible support services. Where less than 100% of time is allocated to support the provider may be asked for supporting evidence to back up the time spent on eligible support such as timesheets or job descriptions. The Authority recognises that the precise definition of eligible tasks is complex and will consider all reasonable evidence in determining eligibility.
- 6.1.3 The published eligibility criteria acknowledge that services which provide predominantly housing related support may also provide other welfare services. Where these are “occasional” it may be appropriate for SPG to fund these activities. The Authority takes the view that where welfare services exceed 10% of the total service activity these cannot be deemed to be occasional and will not therefore be eligible for SPG. Where services comprise less than 10% of activity these may be determined as eligible if other criteria are met.

## **7 Price of the service**

### ***Hourly rates***

- 7.1.1 Our approach to service pricing will be based on the hourly cost of the service rather than a review of weekly rates. Hourly rates for housing related support activity are an important element of the value for money assessment as they give the rate per hour of time input and are therefore more readily comparable between services than weekly rates which take no account of the intensity of support.
- 7.1.2 The hourly support rate is defined as:  
*Total annual contract price divided by the annual establishment staff hours spent on support*
- 7.1.3 We will require providers to certify the annual support hours at the service as part of the information submitted on the VfM return. This information will be compared by the SP team with the annual hours as submitted on quarterly PI workbooks, and with agreed annual contract values with any discrepancies investigated.
- 7.1.4 We will also look at the actual hourly rate defined as the total annual contract price divided by the most recent actual number of staff hours spent on support (calculated using the most up to date actual hours spent on support as reported in the PI workbook for the service grossed up to provide an annualised figure).
- 7.1.5 We will benchmark rates locally and nationally and with other social care services in the county with reference to the intensity of support as described in Section 8 below to establish a maximum hourly rate for all SP funded services.

### ***Weekly rates***

- 7.1.6 The Authority considers the benchmarking of weekly rates to be of limited value as the information available focuses on information which is not directly comparable, taking

no account of intensity of support or how SPG is actually spent. Furthermore published data consist of the historic cost of services rather than up to date costs of services which have undergone rigorous VfM analysis.

7.1.7 We will therefore be basing our approach on the hourly cost and intensity of support provided, rather than an analysis of weekly rates.

## 8 Intensity of Support and benchmarking

8.1.1 A key aspect of our approach is to take into account whether the intensity of support is appropriate for service users. Intensity is defined in this context as the number of support hours per service user per week.

8.1.2 We have carried out an analysis of levels of intensity of support in Hertfordshire and as a result have arrived at four categories into which all services will be divided as detailed below for the purposes of benchmarking:

Level	Hours per user per week	Summary Description
Minimal	Up to 2.5	Support for users in independent accommodation but in need of support to prevent homelessness
Low	3 -7.	Project staff during week day hours, or part of day, with some provision of on call / out of hours service
Medium	7.5-14.	Project with daytime and sleep in cover. Support available most of the time including crisis intervention.
High	14.5-18	24 hr support to chaotic and highly vulnerable clients from specialist workers
		Any hours above 18 may be agreed by the SP team in exceptional cases.

8.1.3 Full descriptions of the bandings are set out in Hertfordshire Supporting People Programme's Policy Statement on Eligible Services and Tasks.

8.1.4 Whilst we intend to carry out full VfM reviews on all services over time, our initial approach will be to group all services by service type and intensity band. We will then benchmark services to determine the upper and lower quartiles with regard to intensity of support and hourly rate in each category. Services falling into these upper and lower quartiles will be prioritised for early review as these are most likely to be problematic in terms of VfM. The above categories will be used to make an initial assessment as to whether the level of support provided is appropriate to the needs group. Levels of intensity above the guideline rates will prompt further review of the service to ensure that only eligible tasks are being performed, whilst intensity lower than the guidelines will prompt review of service quality and safety.

- 8.1.5 We will apply this approach to all services, including those assessed under our previous VfM methodology excluding services such as community alarms and home improvement agencies which lie outside the scope of this particular policy.
- 8.1.6 We will assess VfM on these services by benchmarking within Hertfordshire and against regional and national benchmark data.

## 9 Staff and other direct costs

- 9.1.1 The approach taken by the Authority is that SPG should primarily be used to pay for staffing costs. Assuming that there is clarity on the proportion of staff time that is spent on eligible tasks, the Authority needs to determine the proportion of the grant spent on staffing inputs. Staff costs can include all staff that have direct contact with service users. Clarification maybe be sought to confirm this e.g. job descriptions, service user feedback and/ or support plans.
- 9.1.2 Staffing costs include the following;
- Staff actual salary for all workers that carry a caseload plus their line manager
  - Employer's National Insurance
  - Employer's pension contribution
  - Locum Costs
  - Agency costs if different from above
  - Sleep-in/on-call costs
- 9.1.3 We would normally expect 75% or more of SPG funding at a service to be spent on staff costs.
- 9.1.4 We recognise that there are other eligible housing related support costs incurred by support service staff or directly at services. Such costs will be taken into account in determining the VfM provided by the service. These include:
- Training costs (related to support and skills that will aid support and related work e.g. basic IT skills etc. (not care related))
  - Mobile phone costs if staff leave premises with clients on eligible support tasks
  - Travel if staff leave premises with clients on eligible support tasks
  - Insurance relating to staff and support activities
  - Service user consultation costs
  - CCTV costs
  - Community alarm costs
- 9.1.5 We are not seeking to reduce costs to a minimum in all cases, and there may be valid reasons why, for example, staff costs on one service are higher than another. The object of the exercise is to determine as far as possible that the costs are acceptable for the level and type of service being provided. The skills, experience and qualifications of staff can often differ between the services and this can result in different cost levels. Where this is the case the assessment will explore the reasons for this and determine whether the staffing features are appropriate for the type of service that we wish to commission.

## 10 Overheads

10.1.1 CLG (ODPM) has highlighted the need for thorough value for money assessments. Where the overall service price raises cause for concern this will include a detailed examination of overheads. Overheads are defined as those costs of a service that result not from the direct activities of the service itself but from the activity of the organisation that provides the service. Examples might include a share of the following:

- Finance department
- Information Technology infrastructure costs
- Human resources department
- Administration
- Publicity
- Office accommodation
- Legal costs.

10.1.2 Whilst these are all an important part of running the service, the following issues must be considered in assessing overheads:

- It is possible for organisations to hide unjustifiable costs in their overheads, or to use overheads to create cross-subsidies between services (i.e. by unjustifiably charging higher overheads to some and lower overheads to others). It is, therefore, reasonable to question the overhead component of a support charge if it appears unreasonable.
- Overheads that represent between 10-15% of direct service costs are well within the normal range.
- Costs well below this range may indicate that a provider is not adequately resourced at the centre and so may have an inadequate infrastructure to ensure the sustainability of the service. Much higher costs may be caused by many factors.
- Particular care needs to be exercised when comparing voluntary and private sector services with those run by local authorities because it is very common to find that local authority service budgets do not properly reflect the full cost of services due to their accounting structures.
- Overheads must be apportioned reasonably between support and other service activities such as housing management.
- Overheads may also include an element of profit or reserves

10.1.3 The authority will investigate all overheads in excess of 15% and may investigate overheads in other cases where information provided gives cause to do so.

## 11 Surpluses and deficits

11.1.1 Some providers are motivated (at least in part) by profit. All organisations, including not-for-profit sectors (Registered Social Landlords, Local Authorities and Voluntary Sector agencies) need reserves to carry them through periods of financial difficulties (indeed SP providers are required to be financially sound) and meet development costs. Reserves are only built up through the accumulation of annual surpluses, which are necessary in order to ensure financial stability.

11.1.2 We will consider the level of surplus or deficit shown in each budget on a case-by-case basis taking into account such factors as the size and nature of the organization, the current reserves level and the level of risk related to the service.

- 11.1.3 Where services show a deficit position we will consider this in conjunction with other VfM data to determine whether the service is funded at an appropriate level.

## **12 Total cost of the service**

- 12.1.1 The cost of the support service is not always the same as the amount of SPG. As providers may receive other forms of income which can help to offset some of their costs it is important to differentiate between the actual cost of providing the service and the amount that SPG contributes towards the support service.
- 12.1.2 Providers may have income from grants or fees from a range of statutory agencies including Housing, Social Services, Primary Care Trusts, and Home Office. Many support providers, particularly charitable organisations also have a long tradition of using charitable and other fundraised income to subsidise the cost of their services.
- 12.1.3 The VfM review will examine the total resources coming into the service. This will help to help assess risk of a provider losing income from another source that it relies on to maintain financial viability.
- 12.1.4 We will examine the total public subsidy to the service. This will identify cases where a range of public money may be funding a very cost-ineffective service, but each public funder considering only its own contribution, may believe the service to be highly cost-effective. The consequence is potentially poor use of public funds with the potential for double funding of the same service.
- 12.1.5 An understanding of the reliance providers have on charitable or other income will help us to work with providers to manage risks attached to it. For example, charitable income may be time-limited and if it stops or reduces, a funding deficit may exist which will affect the total service delivery.
- 12.1.6 The priority is to ensure that the amount of Supporting People Grant being invested into the service represents good VfM, and is funding only the support service, not subsidising other types of service or activity. Where information submitted on the VfM return raises further questions on potential cross subsidies, we may require the provider to submit more detailed information on the total costs of the service.

## **13 Inclusive process**

- 13.1.1 Our value for money process will be transparent and will involve providers fully throughout. Providers will have access to all calculations used in the assessment of VfM and where costs are compared with other services locally, the costs of the services will be made available but not the name of the service.
- 13.1.2 We will encourage providers to be involved in the process by providing feedback confirming that information and calculations are correct. Where we have interpreted information provided in arriving at the assessment we will welcome providers verifying our interpretation of that information.
- 13.1.3 In preparation for VfM assessment we recommend that providers self assess by comparison with other local providers of similar services. We encourage providers to make this information available to us and will take it into account when arriving at our assessment.
- 13.1.4 Where value for money has been highlighted as an issue, providers will be informed, and given the opportunity to:

- verify the interpretation of information
- self-assess the VfM of their service
- compare the cost of their service with similar local services
- confirm and share calculations
- confirm that the records and information on the service are correct (i.e. staff hours, staff ratios, hourly rates)

13.1.5 In consideration of the saving requirement on the SP budget, it is expected that providers should aim proactively to manage costs and maximise value on an ongoing basis.

13.1.6 Where a provider is unable to demonstrate Value for Money, a reduced level of SP Grant will be arrived at by the SP team based on the national and local benchmark data which will form the basis for renegotiation of their contract.

## 14 Quality and outcomes

14.1.1 When assessing VfM it is important to consider the holistic value of the service. Our VfM assessments will not be stand alone judgements focused purely on price. We will also consider the quality of service provision, and the outcomes of the service.

14.1.2 We will take account of:

- validated QAF grades and provider's self-assessments
- performance against quarterly PIs
- strategic relevance
- how effectively the service addresses diversity
- local demand for the type of service
- service user satisfaction
- whether the service is flexible and contributes to emerging priorities as identified in the SP strategy
- how the service promotes move on options for service users when appropriate

14.1.3 The assessment of outcomes used will be appropriate to the client group, and used alongside other indicators of quality. The SP team will be working on a methodology for measuring qualitative data and service outcomes in the future, taking account of proposed CLG outcome measures currently under consultation.

## 15 Appeals process

15.1.1 In accordance with ODPM Service Review guidance, any provider who is dissatisfied with any aspect of the value for money review, and/or the overall service review process has a right to appeal to the Commissioning Body. However appeals can only be based on the following grounds:

- We have failed to consider all the relevant facts when carrying out the service review
- We have failed to adhere to the published service review methodology
- We have not taken account of wider strategic considerations for the service

- 15.1.2 The Commissioning Body can only ask the Administering Authority to look again at its decision and has no authority to overturn the Authority's decision.

## **16 Procurement and tendering**

- 16.1.1 The VfM process will be the first step in establishing Value for Money in Supporting People services. The Authority will shortly move to a more widespread market testing of service prices through the process of the tendering of services in accordance with procurement guidelines.
- 16.1.2 The results of the VfM process will be used to inform commissioning and tendering decisions. Whilst the exact approach has yet to be determined, it is intended to consider first those services that offer poor value for money for retendering. This will free up resources that can then be used to commission new services in line with priorities agreed within the SP strategy.