



GOVERNMENT OUTCOMES LAB

Peer Learning Group: Value in Public Finance Maximising Value for Money: Different Approaches, Same Objective

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1. WELCOME & INTRODUCTIONS

Session overview and structure

2. CASE STUDIES ON SMARTER PUBLIC SPENDING

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Maximising Value for Money: Different Approaches, Same Objective

Value in Public Finance Peer Learning Group (PLG)
22 September 2025

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The Chartered Institute of
Public Finance & Accountancy



HM Treasury

THE GREEN BOOK

CENTRAL GOVERNMENT
GUIDANCE ON APPRAISAL
AND EVALUATION



HM Treasury



Magenta Book

Central Government guidance on
evaluation

Stages in prospective VfM evaluation

VfM framework design

Theory of
change



VfM
criteria and
standards



Determine
evidence
needed



VfM assessment

Gather
evidence



Analysis,
synthesis and
judgement



Reporting

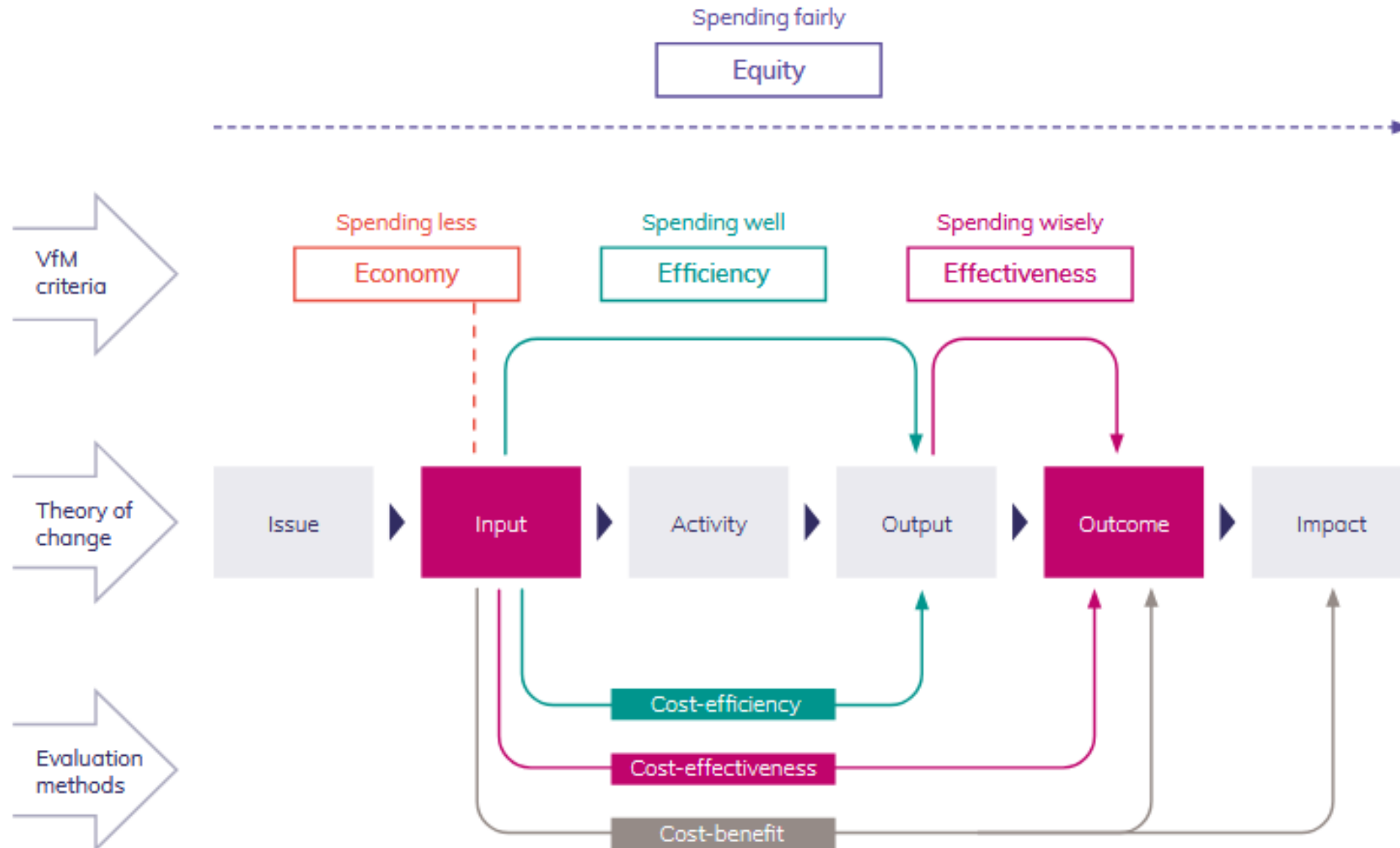
Why VfM Matters

- Budgets under pressure
- Need smarter spending, not just cost-cutting
- Two practical case studies:
 - Redbridge Council – VfM Toolkit
 - Thames Valley VRU – Lifecycle approach

Case Study 1: Redbridge Council – VfM Toolkit

- Embedded in business-case templates
- Framework: Economy, Efficiency, Effectiveness, Equity (4Es)
- Finance team support = critical for success

VfM Theory of Change



Key Lessons

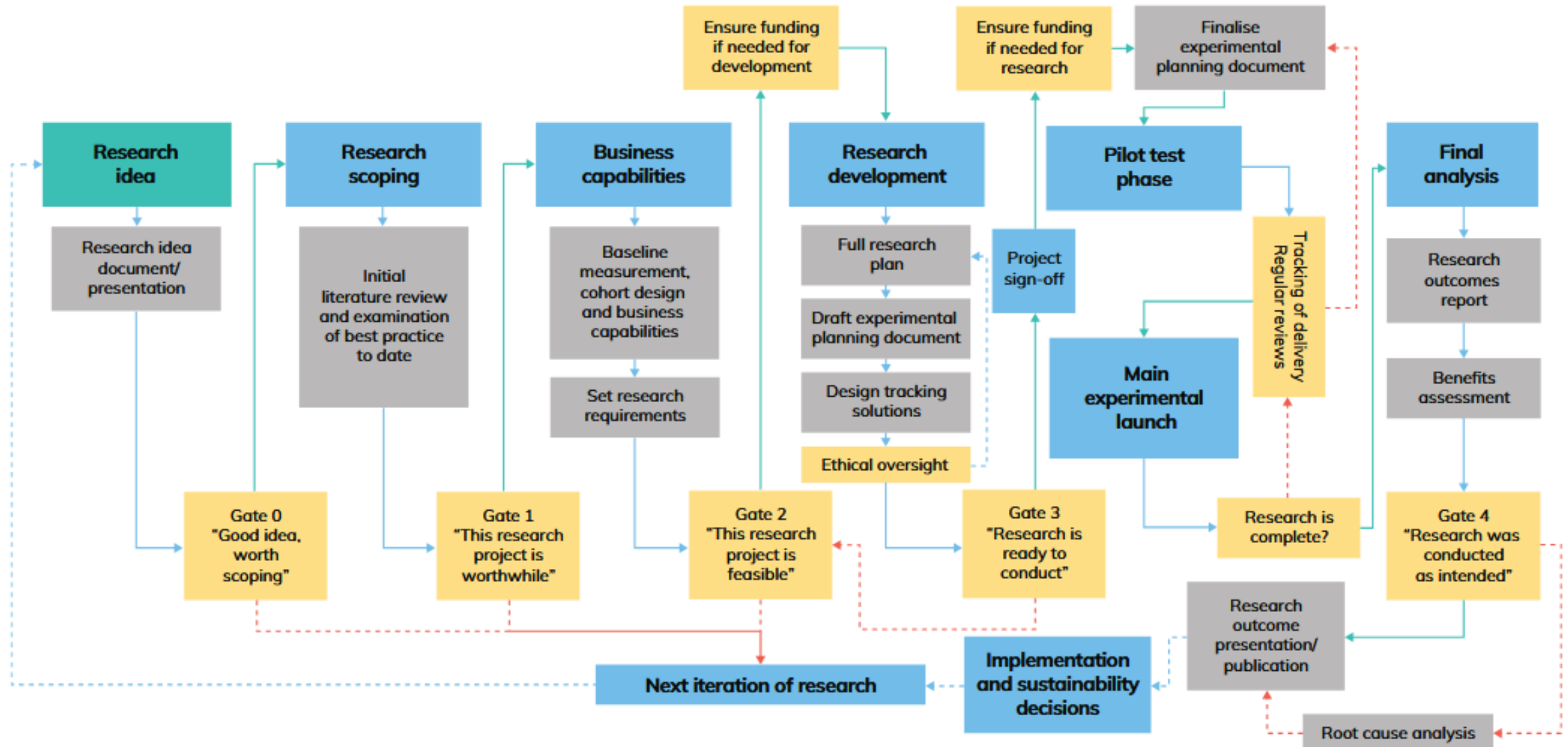
- Integration > stand-alone tool
- Equity lens: who benefits, who doesn't?
- Usability vs rigour → keep accessible
- Culture shift: VfM is everyone's business

Overview of VfM Toolkit structure

Worksheet	Purpose
Intro	Overview of the toolkit, its structure and how to use it.
Data checklist	Identifies the quantitative and qualitative data needed for analysis.
Quantitative calculator	Step-by-step tool for assessing inputs, outputs and outcomes using the 4Es framework.
Qualitative assessment	Self-assessment questionnaire evaluating programme assumptions, objectives, milestones and monitoring within the 4Es framework.
Social impact bonds estimates (optional)	Examines how impact bond funding affects internal rate of return (IRR) and return on investment (ROI) for private investors.
Summary	Provides a snapshot of projected value using key indicators and qualitative assessment scores. Includes benchmark comparisons when data has been provided.

Case Study 2: Thames Valley VRU – Lifecycle Approach

- 5-stage pipeline: scoping → delivery → evaluation
- Links impact evaluation + financial assessment
- Supports long-term planning and baselines



Key Lessons

- Real-world usefulness for complex interventions
- Strengthens case for sustainable funding
- Transferable to other sectors/regions
- Requires evaluation + finance capacity

Cross-Cutting Takeaways

- Usability & accessibility matter
- Align with Treasury Green Book / Magenta Book
- Include equity as a core VfM dimension
- Share learning & refine frameworks continuously

Closing

- VfM = more than cost-cutting
- Every £1 should deliver the best outcomes
- Tools + culture can drive smarter decisions
- Thank you — questions?



Thank you

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3. COMMISSIONING SOCIAL SERVICES THROUGH A TRADITIONAL FEE-FOR-SERVICE CONTRACT OR SOCIAL OUTCOMES PARTNERSHIP: WHICH IS BETTER VALUE FOR MONEY?

Dr Elaine De Gruyter

*Postdoctoral Research Associate, GO Lab,
University of Oxford*

Kirklees Better Outcomes Partnership (KBOP)



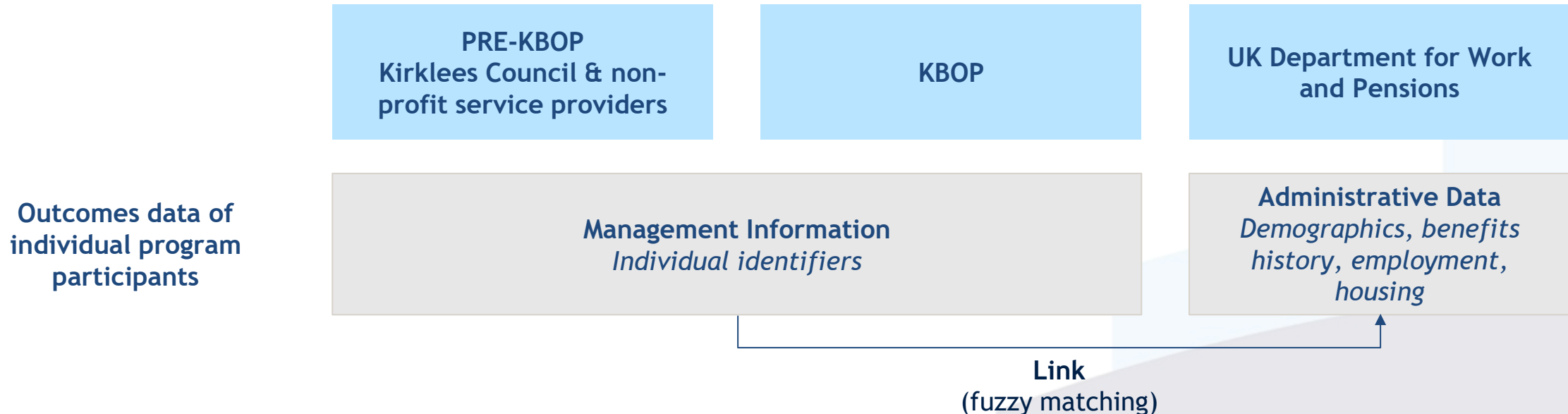
- One of the Life Chances Fund projects
 - £70m outcomes fund from the UK Government's Civil Society directorate, 29 social outcomes partnership (SOP) projects
- **Aim:** to secure better outcomes for disadvantaged Kirklees residents experiencing multiple and complex disadvantage through the provision of housing-related support
- **Before 2019 ('pre-KBOP'):** Kirklees Council commissioned ad-hoc housing support services by nonprofit provider organisations under fee-for-service contracts
- **2019 onwards ('KBOP'):** Kirklees Council introduced a SOP backed by social investors where payment is linked to outcomes achieved

KBOP evaluation

Labour Markets Evaluation Pilot (LMEP) Fund

1. Impact evaluation
2. Value for money assessment

Data



KBOP: value for money assessment

- Impact evaluation found better employment and housing outcomes under KBOP relative to pre-KBOP, **but does KBOP represent value for money?**
- In theory, should be straightforward to answer with the impact estimates and cost data...
- In practice, can be tricky!

Cost effectiveness analysis (CEA)

- CEA was adopted given that impacts are in different units (monetary & non-monetary)
- Key considerations:
 - **Aligning costs with impacts:** had to construct pre-KBOP and KBOP groups differently to impact evaluation
 - **Different sample sizes:** had to consider results at the per person level
 - **Data:** had to undertake CEA from a limited (government) perspective
 - **Informing future practice:** how much of the costs are attributable to a new vs future project? Undertook sensitivity analysis to test different scenarios.

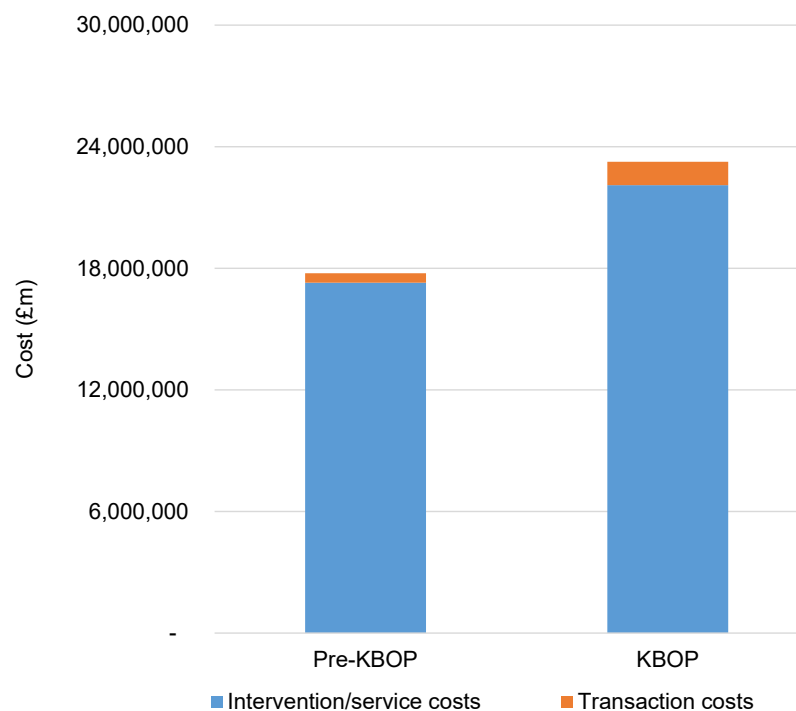
Cost assessment framework

Cost category (by activity)	Data collation approach	
	Pre-KBOP	KBOP
Intervention/service costs	Contract values	Commissioner payments
Transaction costs* (staff time associated with set-up & implementation)	Semi-structured interviews (local govt)	Semi-structured interviews (local & central govt)
Other costs (IT, overheads)	Semi-structured interviews (local govt)	Semi-structured interviews (local & central govt)

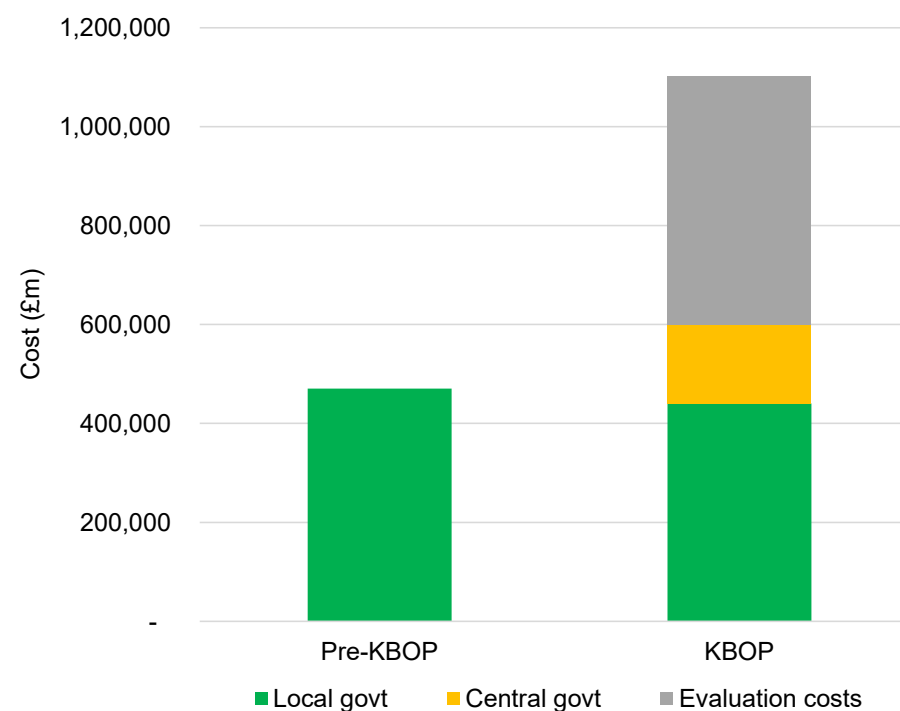
*Petersen et al (2019)

Total cost (real 2024 £)

Total cost - all costs



Transaction costs



Total cost for KBOP is higher (£23.3m compared to £17.8m)

KBOP cost per person was lower (£3,236 compared to £4,856)

Is KBOP value for money?

YES: KBOP is less costly and more effective than pre-KBOP across all outcomes:

- For every additional £1 of earnings per person, KBOP costs £0.46 per person less
- For every additional month of employment per person, KBOP costs £639 per person less
- For every additional reduction in month on housing-related benefits, KBOP costs £510 per person less

Outcome	Incremental cost effectiveness ratio (ICER)	Sensitivity estimates: ICER range
Earnings per person	-0.46	[-0.49, 0.58]
No. months in employment per person	-639	[-678, 7,745]
Reduction in no. months on housing-related benefits	-510	[-541, -402]

Driven by higher no. of participants and improved effects under KBOP (and despite KBOP's greater transaction costs)

Discussion & limitations

- **Different areas of focus:** KBOP's focus on additional outcomes beyond employment and housing vs pre-KBOP's core focus on housing
- **Different definitions of success:** effects are driven by variables in DWP administrative data, KBOP had a broader definition of success
- **Limitations**
 - Limited data on impacts
 - Does not account for difference in economic and labour market conditions during the different time periods
 - ICER estimated from aggregate cost, costs were not apportioned to each outcome/individual

4. EARLY INTERVENTION INVESTMENT FRAMEWORK IN VICTORIA, AUSTRALIA

Matt Donoghue

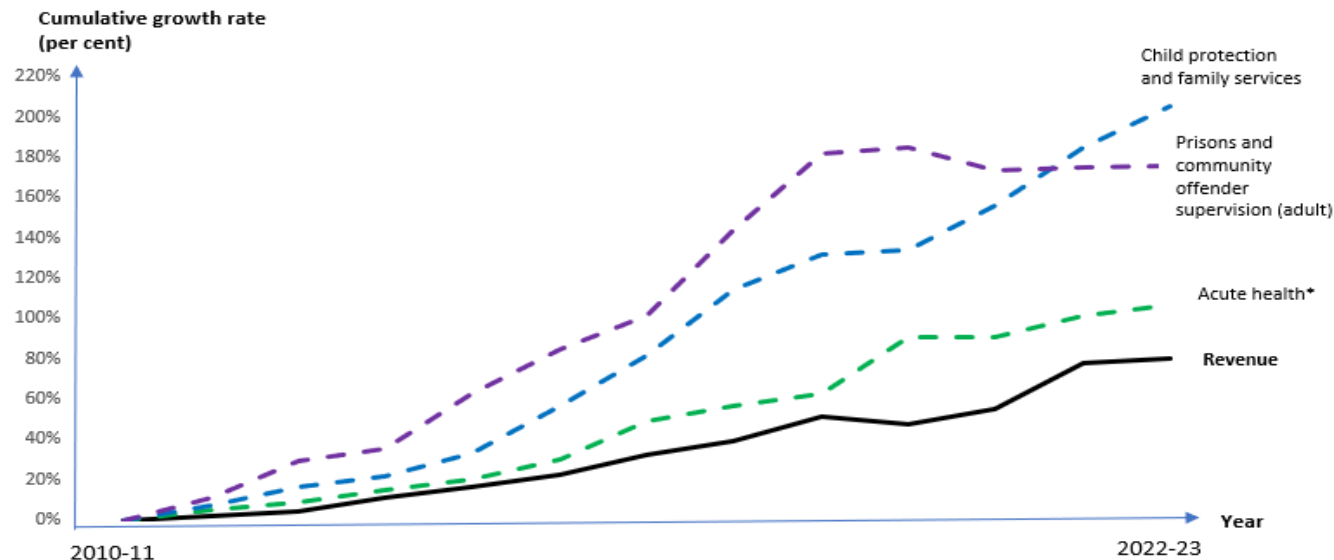
*Director, Early Intervention and Reform,
Department of Treasury and Finance*

Acknowledgement of Country



Background of EEIF

The Early Intervention Investment Framework (EIIF) is focused on evidence-based investment



Source: Victoria State Budget Paper No. 3 and No. 5

Notes: * Estimated costs of initiatives related to the National Partnership on COVID-19 Response in 2021-22 have been removed

- Growth in acute expenditure outpacing government revenue
- Early intervention initiatives made up a smaller share of government funding, despite evidence of their significant outcomes and benefits.
- Lessons learned from impact investing
- Clear social services sector feedback for a scale-up pathway of what works.

EIIF is an organised and rigorous approach to early intervention investment, reforming budget processes and outcomes by quantifying wellbeing impacts for people

Set out to achieve three key objectives through EIIF



more timely help for individuals as problems emerge to minimise impact on people's lives



arrest fiscally unsustainable expenditure reducing demand and alleviating pressure



more balanced service system to provide better service continuum



A focus on outcomes

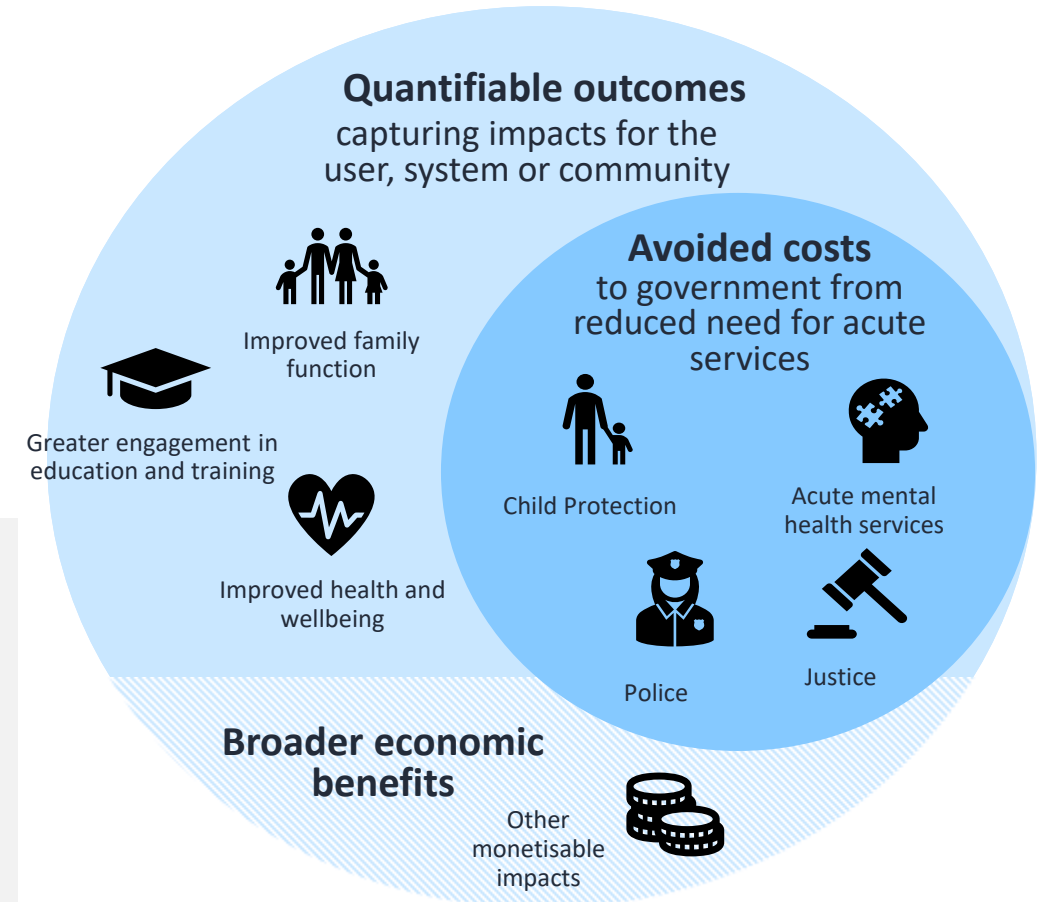
Implementing EIIF through the State Budget requires quantifying economic and financial impacts. Utilising the budget process also provides a scale-up/down pathway and utilises existing risk-management tools in place

EIIF proposals need to provide evidence of impact through:

- **Improved outcomes** – quantified impacts on the lives of service users and their families, the broader community, and the service system.
- **Avoided costs** – the expected reduction in future expenditure on Victorian government services, compared to a BAU trajectory.

Data is critical in informing evidence base and future decisions. In EIIF, data is collected and utilised during:

- Annual outcomes reporting
- Avoided cost modelling during proposal development
- Economic benefit modelling



Key questions to start with: Client journey to where they are, and new programs' impact for them



1. What client group is a new program targeting?



2. How does the initiative work? How does it help clients, and how does it directly affect government service use?



3. What are the flow on service impacts of the intervention?



4. How much spending is the Victorian government avoiding?

Evidence of impact is very important – e.g. clear evidence of previous program outcomes, evaluation reports, evidence of like programs in other jurisdictions

See **EIIF Toolkit** for more information on how these questions relate to the quantification of benefits in EIIF

An illustration of what it could look like

Illustrative program outcome measures	Baseline	Target 2024-25	Target 2025-26	Target 2026-27	Target 2027-28
Percentage of participants in stable housing	25%	35%	50%	50%	50%
Average number of Emergency Department episodes per year	3 episodes	-10%	-30%	-30%	-30%
Average number of homelessness episodes post-intervention within 12 months	2.5 episodes	-30%	-75%	-75%	-75%
Average number of police contacts per year	3 incidents	NA	-10%	-15%	-15%
Proportion of participants who reported feeling improved mental health and wellbeing	50%	75%	75%	75%	75%
Self-reported rate of social connectedness	50%	+10%	+12%	+15%	+15%

The Avoided Cost approach helps quantify impact for government



Treasury has developed an in-house avoided cost model using service data from the Victorian government linked data.



Treasury uses the model to support departments to produce avoided cost estimates for budget, as well as sense check estimates prepared by other departments.



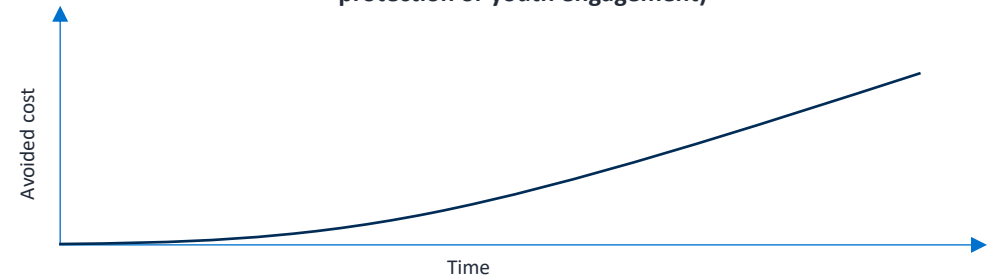
Treasury collaborates with departments to source model inputs including how to best define target client, client numbers and system impacts.



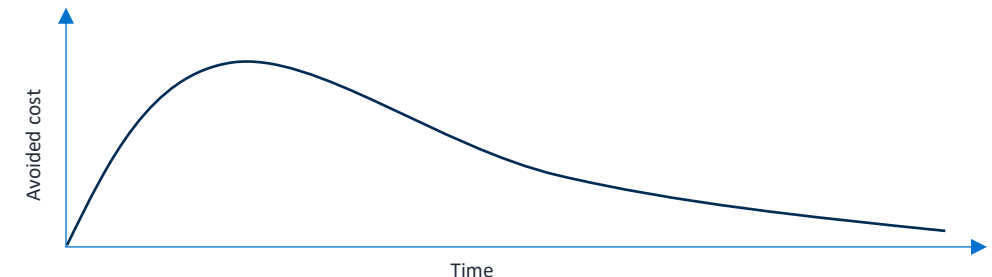
Avoided costs that are inputted to business cases are tested with relevant departments and reported to the whole-of-government data governing body.

Treasury models avoided cost over a 10-year timeframe. Profiles of avoided costs may differ based on types of program and clients.

Typical avoided cost profile for programs with longer term benefits (e.g. child protection or youth engagement)



Typical avoided cost profile for programs with immediate benefits (e.g. Crime prevention or family violence)

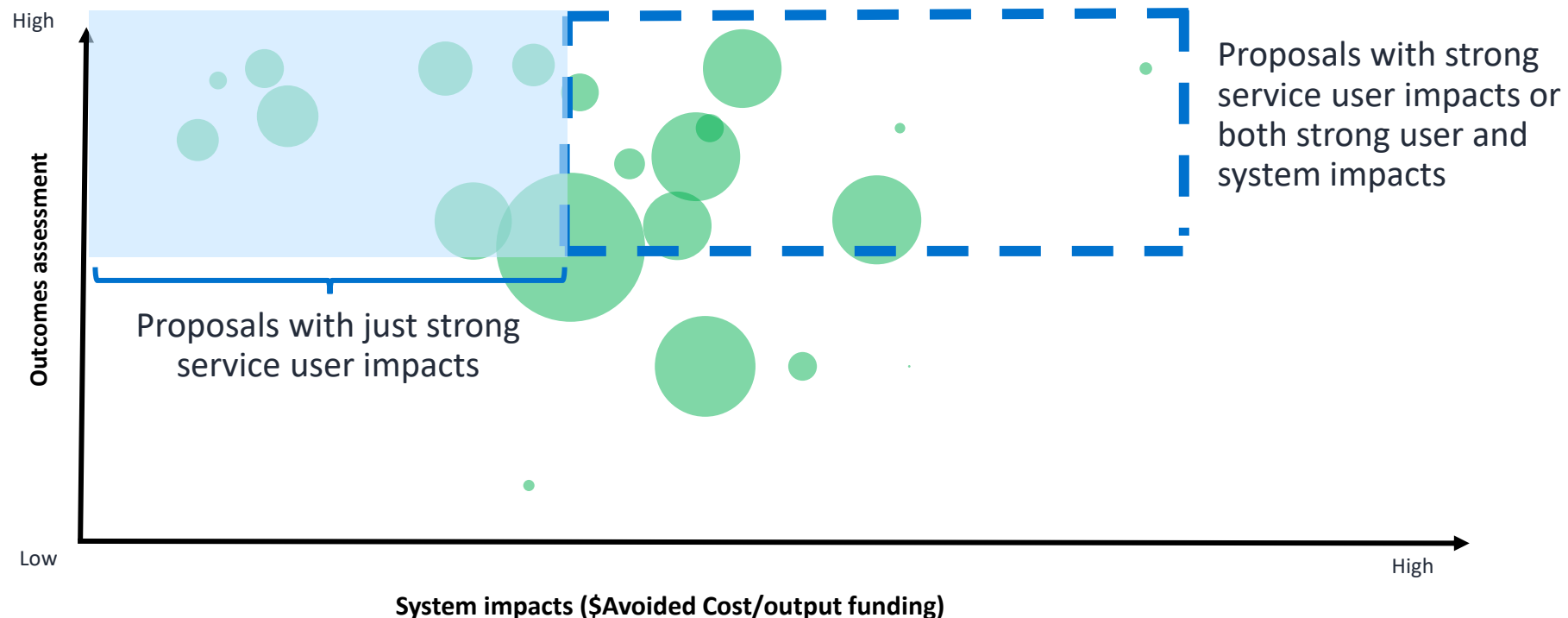




EIF embedded in Government's
budget process

ElIF is a decision-making tool that prioritises proposals with strong evidence of impact

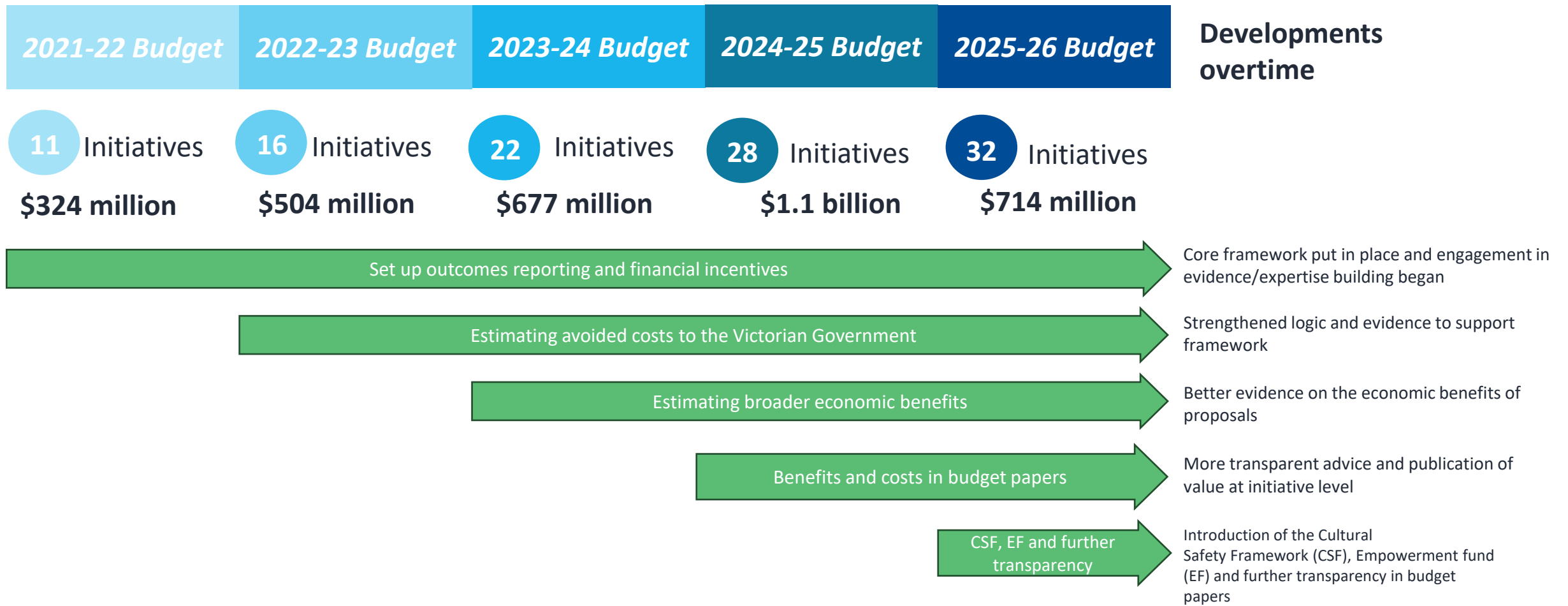
Illustration of early intervention initiatives' quantifiable outcomes for service users and system (note bubble size refers to size of cohort for an initiative)



Setting the right incentives to manage risks and drive positive behaviour and more early intervention investment

	Positive incentives for early intervention	Requirements and limitations to manage risks
Balancing fiscal sustainability	Avoided cost benefits accrue back to departments • 50 per cent retained initially • 50 per cent returned in subsequent budget as early intervention reinvestment funding	An annual savings amount (dividend) is booked over 10 years to balance reinvestment funding
	Reinvestment funding is four times more than savings over forward estimates	Longer-term savings encourages shifting resources from acute to early intervention
Performance-related risks	Central government holds financial risks for underperformance	Ineffective programs may be ceased or not re-funded and require formal notification to central government
	Departments retain all additional benefits from outperforming initiatives, and successes are highlighted in outcomes reporting to strengthen the case for scale-up funding	
Rewards for proactive fiscal discipline	No savings are applied for initiatives fully paid for by existing resources within the department	Departments are encouraged to submit high-impact new proposals or may lose unspent reinvestment funding source

Core framework set in place early, with refinements and growth in transparency over time





Lessons for future
introduction of similar
wellbeing approaches

Set out to achieve three key objectives through EIIF



more timely help for individuals as problems emerge to minimise impact on people's lives

Outcomes reported to date shows promising results for program effectiveness, with around 80 per cent of those reporting being effective
~~arrest fiscally unsustainable expenditure~~ reducing demand and alleviating pressure



Savings realised through annualised dividends



New early intervention funding grew from approximately one per cent of total government funding in the budget to closer to 5-10 per cent

Toolkit for implementing similar wellbeing approaches in other jurisdictions

From the start EIIF, we sought to predict root-causes for why the EIIF might not be implemented as an ongoing practice within Government.

We identified four domains and have iteratively sought to strengthen work under each domain as EIIF has continued. This discipline is at the core of EIIF's continued growth and success.

These four domains were:

- Stakeholders external to government – 'Building partnerships outside of Treasury'
- Cultural shift within government departments – 'Making EIIF easy and building trust'
- Robust underlying economics and evidence – 'Upholding integrity in estimation across initiatives'
- Financial incentives – 'Deliver savings, manage risk and driving positive behaviour'

Embedded within each of domain was a focus on actions that promote transparency and dynamic/ongoing elements (e.g. stakeholder feedback loops) to ensure the EIIF was sustainable ongoing. Further details on lessons and actions within each of the domains are available within the full toolkit, which is available online at the Treasury and Finance website (below:

EIIF Overview and Toolkit https://www.dtf.vic.gov.au/sites/default/files/2024-11/OECD-Wellbeing-Forum_-EIIF-Presentation-and-Toolkit.pptx

Broader considerations/learnings

- Underpinning evidence [needs to be useful to Government and influence decision-makers](#), with better evidence telling better stories about the cohorts that new programs will support (and tracking their effectiveness over time).
- Building greater connection between providers, departments and central agencies as each has different experience/expertise to build the evidence base – [stronger evidence is collectively beneficial](#).
- Importance of [feedback loops and gradually increasing transparency](#), which leads a shift towards more positive culture that focuses on accuracy and what works.
- [Patience/pragmatism to recognise the evidence base will build over time](#), with some areas growing from a low base and others leveraging great capability that already exists.

5. DISCUSSION AND Q&A