

**WHAT DO THE CONCEPTS MEAN? LESSONS FROM THE WIDER FIELD  
[VALUE FOR MONEY AND THE GUARDINA AD LITEM SERVICE]**

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***Aims***

I have three aims in this presentation. First, I want to examine the meaning of value for money (VFM) and similar terms. Second, I will examine how the terms are used elsewhere -outside GALRO contexts - and third, I will look at how these concepts can be beneficial to the GALRO service.

I do not intend to go deeply into these terms, certainly not to blind you with science. I would not want to pretend that tackling VFM is necessarily simple nor a 'barrel of laughs', for it can be complex and challenging, but equally it need not all be dreary, and it can usually help a service or an agency to improve its targeting, its effectiveness and of course its efficiency.

It is important to note that my own and my colleagues' research has *not* to date had the opportunity to include the guardian ad litem and reporting officer service, but I hope I can reflect sensibly on the service from work we *have* done, and to offer helpful frameworks and topics for consideration and discussion during the day and thereafter.

***Scarcity***

The starting point for most economic evaluations is *scarcity*. What causes it? Scarcity can stem from:

- *demographic change* - an ageing population changing the balance of responsibilities for health and local authorities, the growing numbers of divorces and single-parent families leading to family and child care difficulties, and so on;
- *public expenditure cuts* - reducing the funding opportunities of public authorities, perhaps also working through to influence social and economic conditions more broadly;
- *policy and practice changes* - pushing more responsibilities onto social services departments or the courts;

- *raised expectations* - the general public expecting a higher value and standard of care from agencies funded from taxpayers' contributions;
- *raised standards* - the desire on the part of health and local authority providers and purchasers, among others, to improve the quality of services offered to clients.

In fact, scarcity is endemic, almost universal. The point is not whether resources are scarce -for they are, almost all the time - but how we respond to that scarcity. In the face of scarcity, careful choices have to be made: to do A or B; to use public money for more armoured vehicles or more social workers; to expand preventive work with at-risk families or to increase staffing levels in residential homes; to devote more time to this child or to that one.

When making choices in the face of scarcity, in the search for the better use of available resources, a lot of concepts and a lot of terms are bandied about: value for money, efficiency, cost-effectiveness, economy and effectiveness, performance measurement, cost-benefit ratios, and so on. These terms do not all mean the same thing, but there is quite a lot of overlap. Sadly and confusingly, they are terms which are not used with consistency or with a unique meaning. However, the problem is generally not economists failing to agree, but other professions and interest groups getting interested in territory previously dominated by economists. Or perhaps management scientists would argue that *they* first developed these various terms and concepts, and that economists and others have generated the confusion. The point is that terms like value for money and efficiency have multiple interpretations - overlaid with multiple ideologies or agenda - so that clarification of meaning is a necessary preface to meaningful discussion.

### ***Demands for VFM insights***

Why is there this 'demand for VFM'? More generally, why is there a demand for economics insights? Three groups or sources of demands can be readily identified, linked to policy, practice and accountability.

***Policy*** The policy demands for VFM analyses and insights have numerous sources. Three years ago, at a regional conference, Arran Poyser (SSI) set out the Department of Health's strategy for GALRO in 1993/94. There were four main aims, which I quote *verbatim*:

- i. to ensure an efficient and effective service is available promptly for courts, families and children;
- ii. to ensure that services' expectations about quality are more clearly defined and delivered;
- iii. to ensure that reliable, relevant and consistent data are routinely collected;

- iv. to offer advice on GALRO and related court/social services provision in respect of Children Act implementation regarding policy and service developments.

The *Overview of Annual Reports 1994/95* identified a more particular policy concern:

The average hours spent by guardians on each of many types of applications shows some increase. For section 31 care applications, this was nearly 100 hours per case. The variation in average hours and average costs is wide ... The Department and local authorities share the need to understand the reasons for such marked variations in panel average hours and costs if the finite resources available for the guardian service are to be put to more effective use.

In fact, many policy changes and needs generate demands for economics research. A good example is the shift from hierarchical, top-down, provider-led community care services to the post-1990 world of macro-planning and delegation of case coordination responsibilities. Information is needed on how to price services, how to compare costs across alternative treatments, how to adjudge trade-offs between higher costs and grater effectiveness, how to respond to price or output changes of other providers or to purchasing changes of other buyers, and so on. In child care, the 1989 Children Act placed new responsibilities on local authorities, again generating policy demands for economics insights.

**Practice** There are also demands generated by issues relating to practice. At last year's Annual Workshop, Garry Johnson (Panel Manager, Stockport) argued:

The guardian has the right to professional independence, but the panel manager has the right to be assured of, and have appropriate control over, the cost, quality and volume of the *overall* work undertaken in delivering the service for which she or he is held responsible.

A similar view was made later in the same Workshop by Don Brand (Deputy Chief Inspector, SSI), this time from a national perspective:

The achievements for a better managed service are real ones:

- the appointment of a guardian within 24 hours is the norm in most parts of the country.
- the impressive investment in training for guardians, administration and panel committees, although significantly less for panel managers.
- the development of administrative processes increasingly well backed by effective use of IT.
- sharper cost consciousness and budget management in a toughening

economic climate.

These aims - whether local or national - generate multiple demands for resources.

More generally, social workers and other professionals working in the child care system are daily having to make choices both *within* and *between* care modes and placement types. Implicitly or explicitly they are often making choices between different client groups or different clients. A huge number of practice questions are raised, many of which could benefit from having a better understanding of 'value for money'.

**Accountability** Costs and other economic data, including service and treatment outcomes, are needed for performance reviews, financial audits, efficiency scrutinies and the like. Accountability to the taxpayer and - increasingly - to the client or family are the prime motives. Few economists would describe these long-standing accountability demands for their skills and activities as generating the most exciting work they will ever undertake, but these are nevertheless important reasons for a close and careful look at costs and cost-effectiveness, value for money and efficiency.

### ***Objectives***

In any consideration of value for money we should start with a clear view of *objectives*. What are the objectives of the service, the policy, the legal case, the intervention being evaluated? Some objectives are expressed in terms of *resources*, for example, to open another residential home, or to employ more qualified staff. Some objectives are expressed in terms of *processes*, such as to improve the quality of care, or to support more families. Alternatively or additionally, some objectives could be described in relation to *outcomes* such as to improve the welfare of the child in care, to help the family, and so on.

Examples can be drawn from the GALRO service. It is regularly and rightly emphasised that the welfare of the child is paramount. That much is clear from the legislative framework in which the guardian service operates, and in the vast majority of cases has been confirmed as the practice imperative by SSI inspections of local services. The welfare of the child must be the *main* consideration, of course: it is the ultimate purpose of the service to meet the needs of the customer. However, we must also bear in mind the *process* or *intermediate* objectives of the GALRO service, describing the procedures by which panels and guardians go about their work.

### ***The 'production of welfare'***

We need a framework which links these objectives and within which we can try to measure achievements and value for money.

We can start with the simplest framework, which gives us an *administrative* view of the GALRO services. This simple framework would start with costs or budgets. We can see how available funds can be used to employ resources or inputs, such as staff, buildings, vehicles, fax

paper and pencils. These resources are combined in order to 'produce' services. This is, shall we say, an 'administrative' view of a service system.

More interesting is to include changes in the welfare and quality of life of children and families - changes in which the user-focussed outcomes are hopefully achieved by the services. We must not forget that there are some things - such as the social milieu of a care setting, the attitudes of staff and the personal histories of clients - which can be important influences on the outcomes from care, but which are not bought and sold in any market and so do not have sensibly measured costs. These can be called non-resource inputs. These non-resource factors really ought to be looked at when comparing costs and outcomes. This is what I have called the production of welfare or 'POW' framework in previous research, and it underpins much of the research of the PSSRU.

### ***Definitions of key concepts***

It is instructive to go back to the early 1980s and the government's Financial Management Initiative (FMI). The FMI introduced the then-famous 3 Es - economy, effectiveness and efficiency. What was very conspicuous by its absence, as many people were keen to point out in the early years of Mrs. Thatcher's Conservative governments, was equity or fairness - a fourth E. Today, most discussions of public sector performance (whether of purchasers or providers) would employ criteria akin to the full set of four, although not giving equal weight to each.

These criteria give us a set of definitions which we can use in considering the value for money or efficiency (or whatever term you prefer) of the GALRO service and associated activities. Let me give three examples.

If we think about a commercial company, how would they define those 4 Es?

- *Economy* would be about cutting its costs - firing staff would perhaps be a good economy measure, if somewhat unpopular with those affected.
- *Effectiveness* would be about improving productivity - getting more products per worker shift or per machine hour.
- *Efficiency* would be more interesting and more relevant, linking the resources expended to the outputs produced.
- I am not very sure that the company would be interested particularly in *equity and fairness*.

If we move into the public sector, say to look at a child care service, we can see how these same terms would acquire form and substance.

- *Economy* would be the local authority child care service trying to contain its

expenditure within the budget which has been set for it.

- *Effectiveness* would be about improving the welfare of the children and families using the service, and also perhaps about successful preventive work.
- *Efficiency* would again be much more interesting, again taking two central elements - the resource side and the outcome side, the effectiveness and the economy - and trying either to maximise the outcomes achieved from an available budget or to minimise the cost of achieving a particular set of child and family outcomes.
- *Equity* would be about allocating fairly, which in most child care contexts means allocating according to need, based upon some policy-level or practice-level prioritisation of those needs and the interventions which they imply.

Finally, consider the GALRO service. Each of the 4 Es is again relevant, indeed very much needed. The challenge is to decide how to balance one criterion against another.

- As regards *economy*, the GALRO service currently costs £19 million to the local authorities running the system (one-third central government specific grant). There are about 920 guardians, mostly self-employed and part-time, and about 140 administrative staff. Most expenditure clearly goes on human resources. It may be possible to cut costs - to achieve greater economy - but what would be the effectiveness consequences?
- Turning to *effectiveness* itself, this concept could obviously be defined in terms of the welfare of the child, and this should be the primary aim of any such conceptualisation, but there are also more immediate effectiveness measures, such as ensuring a high-quality and timely response, taking cognisance of the child's views, maintaining arms-length independence from the local authority, and so on. The GALRO service has, of course, defined effectiveness very clearly in terms of the National Standards, both in relation to the welfare of the child, the functioning of the family and the relationship between the two, and in relation to process, the way in which the services are undertaken.
- *Efficiency* and *equity* could be defined as suggested earlier for a child care service, or operationally for GALRO itself. I am not going to suggest particular efficiency and equity criteria for you, as I hope those things are going to come up for discussion in your workshops.

A key point to remember is that each of these four criteria is relevant. Each has some bearing. Each has some important contributions to make. And this generates the main problem with each of those criteria, over and above the difficulties of operationalising them in practice, is that no single criterion is adequate on its own. So economy is fine but ignores outcomes; effectiveness is fine but ignores costs; efficiency and equity are fine but ignore each other. An agency or service which is trying to improve its performance in terms of value for money should

be looking to balance these elements, especially thinking carefully about the balance between efficiency and equity.

### ***Judging VFM***

You are not going to have time to start measuring, in any detailed way, the economy, effectiveness, efficiency and equity of the services for which you are responsible or in which you are working. What you *do* need to know, I think, is how to adjudge other people's views on your 'value for money' or efficiency. When you see some information about your service, or have some discussion about your service, how do you adjudge whether you appear to have good or poor value for money?

I want to suggest four rules or principles which might help and which come from our quite wide research experience in social care and other areas. These are rules which we have found to be very helpful when undertaking, disseminating and explaining our research to those people who may be affected by it. They are easy rules to state and understand, but less easy to adhere to in practice.

1. The first principle is comprehensiveness. We need to have a comprehensive view of the service or the intervention for a particular child or a group of children. That should mean looking for comprehensive costs, and at comprehensive outcomes. For many years, I have been quite critical of available statistics for residential and foster care for children which consistently exaggerate the costs savings that can follow from changing the balance away from residential and towards foster care. There are many costs missing from these statistics. The statistics do not look at the recruitment costs of foster parents, the training costs, the social worker's continued liaison with foster parents, and so on. For the child in residential care, the time they spend outside the residential home, their contact with the health service, field social workers and others are not costed. There are, then, lots of hidden costs. Most of the people that operate work in child care services know that costs are incomplete, but there is a danger that politicians and others with some influence might latch on to the wrong figures. The point is we need a comprehensive picture of the costs and the outcomes. So looking only at the cost of the guardian service and ignoring, for example, the costs of the courts, would be a mistake. We need to paint and view a broader picture.

2. We also need to ensure that we make like-with-like comparisons. When we are talking about efficiency or value for money, we are talking in relative terms. One of my favourite stories was told by an early Nobel Laureate in economics about the Roman emperor who was asked to judge a musical contest. There were two musicians and after hearing the first one play, he awarded the prize to the second. We often find this in evaluations: this service is so awful the other one must be better; this cost is so high, the alternative must be cheaper. We need to make comparisons, and when we make them, we need to make sure they are comparisons on a like-with-like basis. Are we really comparing equivalent groups of children or equivalent interventions? If we don't, we end up with crazy questions. If I said to you 'Who is best - Manchester United or the Vienna Boys Choir?' you would justifiably look confused. It is a



stupid question, but that is too often the case with some value-for-money discussions. We need to set the criteria in context, and we need to set comparisons on a valid and sensible basis.

3. The third principle stresses the need to look at variations. There are potentially enormous variations, for example, in the costs of seemingly similar social care services between users, families or parts of the country. Again, to look at some figures, we can see from the *Overview of Annual Reports for 1994/95* that the highest and lowest costs are dramatically different. I was interested to see, for example, that in relation to adoption proceedings (GAL) the highest cost was recorded in Berkshire (£1,989) and the lowest in Cleveland (£300). Berkshire is again most expensive when it comes to care proceedings (S31); in fact, it is three times as expensive as its neighbour Bedfordshire. What is going on? I am not suggesting any criticism of Berkshire, Bedfordshire, Cleveland or any other agencies, but I would suggest that someone needs to ask if it is the case that one is achieving three times as good an outcome as the other? Indeed, can one talk in terms of three times as good an outcome? For secure accommodation proceedings, I note, the highest and lowest costs vary by a factor of 41: £33 in Manchester; £1,698 in nearby Cumbria. Again, what is going on there? Figures such as these are crying out for closer examination.

4. High cost is not necessarily bad, nor is it necessarily good, but wide cost variations need to be *understood* because it may be that one provider or one service is doing something rather exciting from which others might want to learn. This applies particularly to the effects of costs (or resources) on outcomes. The fourth principle urges us to integrate cost information with outcome information.

In the same *Overview* report, there is a challenging quote from the annual report from Birmingham:

It is apparent from the Department of Health report 'The GALRO Annual Reports 1993/94 An Overview' that there is a wide diversity among Panels nationally with regard to average hours and costs per case, and that Birmingham is above the national average. This diversity would seem to suggest that there are fundamentally different approaches to the work undertaken by Guardians ad Litem across the country, and that the quality of service a child/young person may receive could be dependent upon the area in which s(he) lives. The appraisal of Guardians ad Litem on the Birmingham Panel during the past two years has shown that a significant number of Panel Members favour a proactive approach. This approach, also favoured by the local courts, means that Panel members often become involved in detailed negotiations with all parties over the plans for the child/young person in order to achieve an agreed outcome which will best serve the child/young person's welfare and long-term needs. Such an approach is inevitably more time consuming and adds to Guardian ad Litem costs, but offers greater benefits to the child/young person and may lead to significant savings in other areas of child care and legal system e.g. a reduction in the number of lengthy contested hearings or a reduction in the number of

cases which return to court following further applications. This may be an area of research which could be considered by the Department of Health in the near future, with comparisons being made between 'high' and 'low' spending panels, and linking this to the quality and type of service being provided to the child/young person.

I hope the authors of the Birmingham report will not object to my quoting them at length, but they forcefully and rightly emphasise that costs need to be set alongside outcomes. To look at one side of the cost-outcome relationship and ignore the other is both foolish and dangerous.

### *A brief history of VFM studies*

To conclude, I just want to draw your attention to a little local history. Value for money interests and studies often go through five phases:

- blissful ignorance,
- unbridled criticism,
- indiscriminate utilisation,
- constructive development,
- sublime sophistication.

The first phase of blissful ignorance is not to worry about VFM. Nobody asks about value-for-money and nobody looks at it. This is a delightful, innocent state to be in, if rather irresponsible.

The second phase I would describe as unbridled criticism. People demand to know why their service should be 'value-for-money-audited' or subjected to an efficiency review or an accountability inspection. Why should *they* we be concerned with cost when their primary concern must be the welfare of the child, the family or whatever? This unbridled criticism is usually directed at people like me trying to do these evaluations, or at people like Arran Poyser trying to get people like me to do them.

Third, we have the stage of uncritical acceptance, or indiscriminate utilisation. People realise that this new cost or efficiency imperative is pervasive and permanent. It is not going to go away, so something must be done about it. They therefore grab whatever information they can and they use it, usually unthinkingly, indeed sometimes crazily. Symptomatic of this phase is the proud displaying of some pretty awful data in somewhat imaginative ways, with unwanted consequences possibly lurking around the corner.

After these three rather depressing early phases comes my favourite - the phase of constructive

development. The realisation dawns that the statistics that are around are not very useful, that the way in which they are put together is not altogether helpful, or that the interpretation of the findings is a little naive. In the fourth phase the task is to try to construct better indicators, better understanding, better utilisation. This fourth phase is the one which, I think, some areas of health and social care have reached: they have not yet fully 'cracked it', perhaps, but they are purposively and intelligently building up a better appreciation of the issues, data and consequences.

The fifth phase can be called sublime sophistication. It is a phase where the information is so wonderful, the understanding so absolute, the interpretations so erudite, and the researchers so urbane that - with the right attitude among policy-makers to implement what is recommended - services can operate at a high level of efficiency. The fifth stage is not my favourite because it is unobtainable.

Realistically, and looking at the GALRO service in particular, we clearly have some way to go from blissful ignorance - or is it uncritical acceptance? - to constructive development, hopefully by-passing unbridled criticism along the way. However I hope the frameworks I have suggested will help to take your discussions forward.