

VFM diagram

The flow diagram shows the relationships between resources, inputs, outputs and outcomes to the 3 E's: economy, efficiency and effectiveness.

1. Resources depend on the objectives of commissioners/service providers.
2. The acquisition of resources as inputs to processes determines economy: minimising the cost of resources used while having regard to quality.
3. The use of inputs in a process to produce outputs determines efficiency: the relationship between outputs, e.g. services, and the resources used to produce them.
4. The extent to which intended and unintended outcomes are achieved by outputs from a process determines effectiveness: the extent to which objectives are achieved and the relationship between intended and actual impacts of a service.
5. Outcomes are subject to other influences besides the action of outputs.
6. The relationship between resources and outcomes determines cost-effectiveness or value for money: the optimal use of resources to achieve the intended outcomes.