

# Sustainability Toolkit

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# introduction

This sustainability toolkit is designed to support you in planning and achieving sustainability following the successful piloting of your new PSP service.

By defining the key milestones and guiding you in the appraisal of your newly designed service, this toolkit will enable you to prepare a strong case for change to gather support and financing for the continuity of your service.

This toolkit focuses primarily on the operational activities required to move towards sustainability of your PSP. The points made here are particularly relevant for PSPs created as a response to the availability of funding. However, it is expected that the majority of PSPs which develop “organically” will be required to undertake these activities.

Underpinning this case for change, at the operational level is the completion of an economic appraisal of your service. Appraising your service requires an evidence base, i.e. an assessment of the costs incurred, and benefits delivered by your service and is fundamental to demonstrate the value of your service to the service user, the partnerships and the wider community.

This guide seeks to demonstrate leading practice in achieving long-term sustainability for PSPs, enable partnerships to build the foundations required to deliver sustainability, and in doing so secure continuing benefits to service users.



**Instructions for toolkit use:** *Accompanying this toolkit is a Resource Pack which includes tools and templates to support the development of the business case for your service. References to the resource pack will be made throughout the toolkit. This symbol indicates when a supporting resource is available in the resource pack.*



challenge points

Throughout this document there will be various Challenge Points which will underline key challenges facing you throughout the completion of the business case. At times the challenges posed will require decisions to be made before further progress can be made. It is equally important that these decisions are endorsed at the sponsor level before next steps are taken.

## section 1

### 1.1 Preparing your case

Before embarking on building your evidence base there are five key factors to consider.

#### 1.1.1 Skill requirements

In addition to a strong knowledge and experience of the service, a number of key skills are required to develop your case for change. As a service provider these skills are unlikely to be completely new to you; more often than not the skills required to build your case for change are not too dissimilar to those employed when writing a tender response.

Before embarking on your case for change and to ensure a strong start, it is important to identify the individuals within your PSP (i.e. all partner organisations) that demonstrate these skills. If these skills are unavailable within your organisations you will need to look outside of your organisations for additional resource. In the event that the majority of these skills rest with external individuals / organisations, it could be more effective and productive to consider commissioning an external organisation to build and develop your case for change.

#### Project management:

Building and developing your evidence base is a mini-project within your PSP that requires an individual who can plan, manage and deliver tasks within timescales. Equally these skills are important in developing the case for change i.e. identifying risks, contingency plans etc.

**Financial and analytical:**

The evidence base requires a detailed breakdown of the inputs, outputs and outcomes of the service in terms of volume, costs and quality. Strong numerical and financial skills are fundamental for evaluating the cost effectiveness of the service. Accounting skills are desirable.

**Written and verbal communication:**

A robust evidence base requires logical, clear and compelling written and communication skills to convey the benefits of the service to a variety of stakeholders.

**Legal and procurement:**

Knowledge and, where possible, experience of the contractual and procurement steps required of a new service being competitively tendered. Yet, ultimately, the design of the service specification and tender will originate from the public body commissioning the service.

**Stakeholder and change management:**

Developing a robust case for change requires building strong relationships with key stakeholders to identify, understand and successfully manage expectations. Fundamental to this is the understanding that involved and / or interested parties have around the PSP model and the potential opportunities it has for them; this will encourage engagement with the new service and secure buy-in early on. Once the evidence base is collected, this role will extend to include communicating and selling the case for change and the PSP legacy to relevant stakeholders i.e. the sales pitch for funding.

**1.1.2 Timing**

Preparing your business case will not be an overnight exercise and is often very resource intensive. It will require a clear workplan to map out the steps and the time requirement to complete the business case. This toolkit lays out the logical order in which to complete your business case; however, it might be that you choose to take each section of the business case as an individual workstream and undertake the work for each section in parallel. Whichever approach you adopt it is important to identify a lead owner for each section to ensure accountability.

The time commitment for the preparation of the appraisal should not be underestimated. The business case you will produce will be a critical tool in securing the sustainability of the new co-designed service. Each stage will require adequate time to collect the relevant data; for example, the time required to source an organisation's costing data is frequently underestimated. Equally, a suitable timeframe will be needed to bring together all the sections in order to complete the final section, the cost benefit analysis.

Similarly, while developing the workplan for the business case, it is important to link dates and milestones to those that have already been identified in the project plan with regards to sustainability; for example, engaging stakeholders and delivering your sales pitch to stakeholders and possible funders. It is very likely that some of these activities may already be underway as part of the project plan so it will be important to harmonise these milestones.

Integrating the workplan for the business case into the project plan to provide one view of the PSP project will also enable the right resources to be identified, i.e. those with the right skills and, more importantly, with adequate time availability.

It is also important to consider the budget rounds of potential funders and the urgency to ensure that commissioning authorities have exposure to sustainability outputs from the PSP with a good lead time to the first round of budget making.

It is important to have the evidence base for the service in place before you seek to "sell" your service to your potential funders. Early stage conversations to identify what good looks like to them are important but your sales pitch will require all the evidence in place to ensure a persuasive funding conversation.

**1.1.3 Availability**

As mentioned above, once you have identified the individuals who have the skills required to complete the business case and the necessary time plan to develop your case is in place, it is important to confirm the time availability and ability of section owners and match this against the workplace. Identifying additional individuals who section owners can confidently delegate tasks to if and when their own capacity is stretched is also similarly important to maintain the momentum of evidence collection as and when other PSP priorities arise.

## introduction cont..

### 1.1.4 Funding

#### How much?

Whether you decide to use internal or external resource, how you go about funding the development of the business case is important. Having identified the individuals, time requirements and availability it is important to consider the financial costs involved. For example, if you choose to use an internal staff member who is currently employed on a part-time basis but will become full-time or undertake overtime throughout the development of the business case, these added hourly costs need to be considered. Similarly, the use of external contractors will involve additional day rate costs.

Be careful to factor in this additional resource as commissioning authorities or public sector organisations may be unlikely to fund business development activity.

Weighing up the costs of preparing the business case internally (potentially with the use of external freelancers) and the cost of commissioning an external organisation to complete the business case from start to finish is a useful exercise to undertake to ensure that the money dedicated to producing the business case is being used as effectively and efficiently as possible. There is little value in delivering the business case internally with question marks hanging over the robustness of the final output when, for a small margin more, an independent external organisation with experience in cost benefit evaluations could produce a robust business case that need not interrupt and alter current the current work demands of delivery staff.

Nonetheless if a decision is made to continue with an internal evaluation then it will be important to consider what additional checks/safeguards can be put in place to ensure a credible business case is presented.

#### What funding is available?

It is also worth considering what funding options are available to you to complete the business case exercise. In addition to your own PSP budget, there may be other sources of finance, perhaps from organisations or sponsors involved previously in the redesign or pilot phase that are keen to see and fund an evaluation of the service and their monies to date.

### 1.1.5 The Strategic Context

Where PSPs are developed through 'Change Funds' in response (at least partially) to the availability of funding, consideration of the strategic context is essential when assessing your skills requirements.

The potential for such PSPs to be successful and sustainable can be enhanced through the formation of a strategic governance group which can represent the needs of PSPs at a national and policy level. Any strategic group should include representation from key stakeholders, including policy representatives, national commissioners and alternative funders, and have a clear remit, to include (but not be limited to):

- Links to the policy and ministerial level to ensure issues which cannot be solved at the PSP level are escalated appropriately
- Coordinates with PSPs to facilitate the identification and implementation of solutions to shared complex issues

- Facilitates national sustainability discussions for PSPs operating in a multi-commissioner environment
- Discusses and unblocks strategic issues as they arise
- Provides a forum for identifying and investigating alternative funding streams where appropriate

## 1.2 Commissioning an external evaluation

If a decision is made to commission an external evaluation, it is important that the tender is released with sufficient time to receive and review submissions and award the contract. The format of the tender will be very similar to previous tenders issued by the PSP's partner organisations and follow the same issue, review and award process which should help to ensure it is issued as early as possible.

Although the identified start date to begin developing the business case is relatively flexible, any delays at the outset are likely to push subsequent actions and milestones back. As a result it is likely that either the target end date will fail to be met or specific phases of the business case development will be compressed to meet the desired deadline, both of which will put funding options and service delivery at risk.

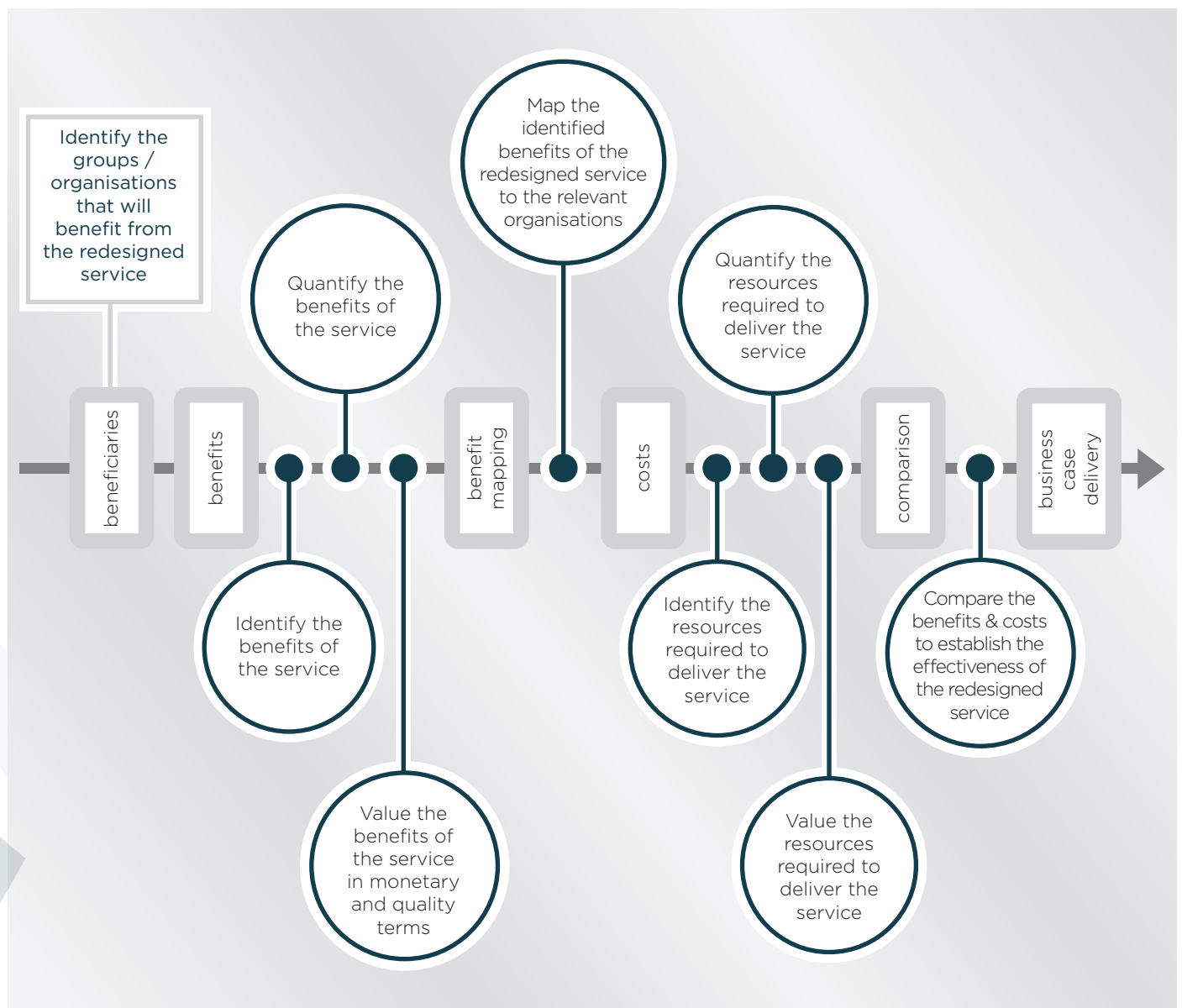
## section 2

# getting started

Now that resources are in place work can begin on developing your **business case**. Your **case for change** will be built on a robust evidence base which verifies the benefits of and improvements to the service for the service user, the partnership and the wider community; demonstrates value for money; and establishes its longer term viability and success. Supporting you in its development is the **sustainability roadmap**.

## 2.1 Sustainability Roadmap

The roadmap identifies the **key milestones** involved in the development of your case for change as well as defining the **underlying steps**.



## getting started cont..



## challenge points

Once you have completed the **Skills and Time Requirement** within the accompanying Resource Pack, table you should be in a position to determine what capabilities you have in your team to meet the skill requirements of the business case. If all the requisite skills cannot be identified within your organisation and the decision is made to proceed with only internal resource, i.e. you do not want to seek external support, this carries inherent risks for the production. It is key to capture such risks and decision points within your PSP risk log.

## 2.2 The roadmap explained

### Beneficiaries

In addition to the immediate customers (the service users) of your service, your service also has extended customers, the needs and expectations of whom are important to understand.

Surveying the landscape and identifying the full spectrum of groups and organisations that will benefit from accessing your service is critical to understanding who you need to communicate your case for change to and being able to plan how you approach the subsequent milestones. An effective way of identifying these extended customers and / or beneficiaries is through mapping the service end to end, isolating the key individuals and / or organisations involved at each stage, and deciding which are in and out of the PSP's scope.

### Benefits

Underlining the value (additional benefits) delivered by any redesigned service or product often relies upon a comparison being drawn between the benefits delivered now and those delivered previously as part of the former product or service. However, due to the unique nature of how many services has been redesigned, drawing an accurate baseline of benefits for the former service is unlikely to be an easy one. Section 4 will start by defining the benefits and outcomes of the service and seek to offer an alternative process that will guide you through the steps required to establish, quantify and value the benefits delivered by the redesigned service (i.e. the PSP Pilot) and section 7 will discuss how the application of additional measures (i.e. deadweight) can be considered to support the identification of additional benefits.

### Benefits mapping

Once you have identified the beneficiaries and established the additional benefits delivered by the redesigned service it is important to draw the links between the two. It is important to bear in mind that the benefits delivered can be relevant to one or more groups or organisations.

### Costs

In order to fully appreciate the benefits of the redesigned service it is important to understand the resources employed to deliver the service. As we acknowledged with the benefits, it is important to establish, quantify and value the costs of resources employed to deliver the redesigned service. In an ideal world a cost comparison would be undertaken between the existing service and the redesigned service; however, as is the case when comparing the benefits of the two services, the unique nature of the redesigned service can make this difficult. For the purpose of building your business case for funding, the toolkit will focus on establishing the cost baseline for the redesigned service.

### Comparison

The final step in formulating your case for change requires a comparison that looks at the benefits delivered by the redesigned service against the costs involved, as well as the benefits delivered against the expected outcomes (deadweight) of the service previously being delivered (i.e. pre-PSP). Communicating elements of this analysis to your various beneficiaries at key points is important and may require a tailored response for each of the groups / organisations identified as part of the first milestone. This section will discuss a few methods that can be used in your case for change to appraise the service.

## section 3

# beneficiaries

### 3.1 Introduction

Identifying the beneficiaries of your new service is the first key step in establishing the impact of your service and identifying potential funders of the service going forward.

**Beneficiaries** are all individuals and organisations in receipt of a benefit(s) of the service; this includes those that may not be potential funders or that may seem obvious beneficiaries and for which it is hard to measure the actual benefit they receive i.e. family members of service users. Capturing the wider impact delivered by the service is important to build a fuller picture of the service and to ensure nothing is missed<sup>1</sup>. The objective of this section is to build a bank of all your service's beneficiaries.

### 3.2 Beneficiary identification: Building your beneficiary tracker

The first and perhaps the easiest step is to pinpoint the most obvious beneficiaries of your service and then seek to broaden your remit to include those individuals and / organisations which may receive benefits – either directly or indirectly – from your service.

Listed below are a number of questions to provoke thinking around and help with the identification of your service's beneficiaries. It is important that each area of the service is represented in the discussion in order to fully capture all the extended beneficiaries of the service.

- Which organisations do you currently engage with?
- Which organisations do your service users currently engage with?
- Which organisations do your service users seek for follow-up / additional support?
- Where are the hand-offs and with which organisations?
- Which organisations signpost in to your service?
- Which organisations do you signpost out to?

### 3.3 Beneficiary identification: Service user pathway

Alternatively, you may wish to map out a service user pathway for your service and identify the individuals and organisations involved at each stage of the pathway<sup>2</sup>; a service user pathway may have already been created by your partnership in relation to the service redesign.



**Instructions for toolkit use:** Now turn to the *beneficiary tracker (page 5 of the Resource Pack)* and begin to build your list in column 1. As the tracker of beneficiaries begins to populate it is important to identify the main contact points (i.e. individuals within the beneficiary organisations) the PSP or the individual PSP partners have already established with these groups/organisations in column 2

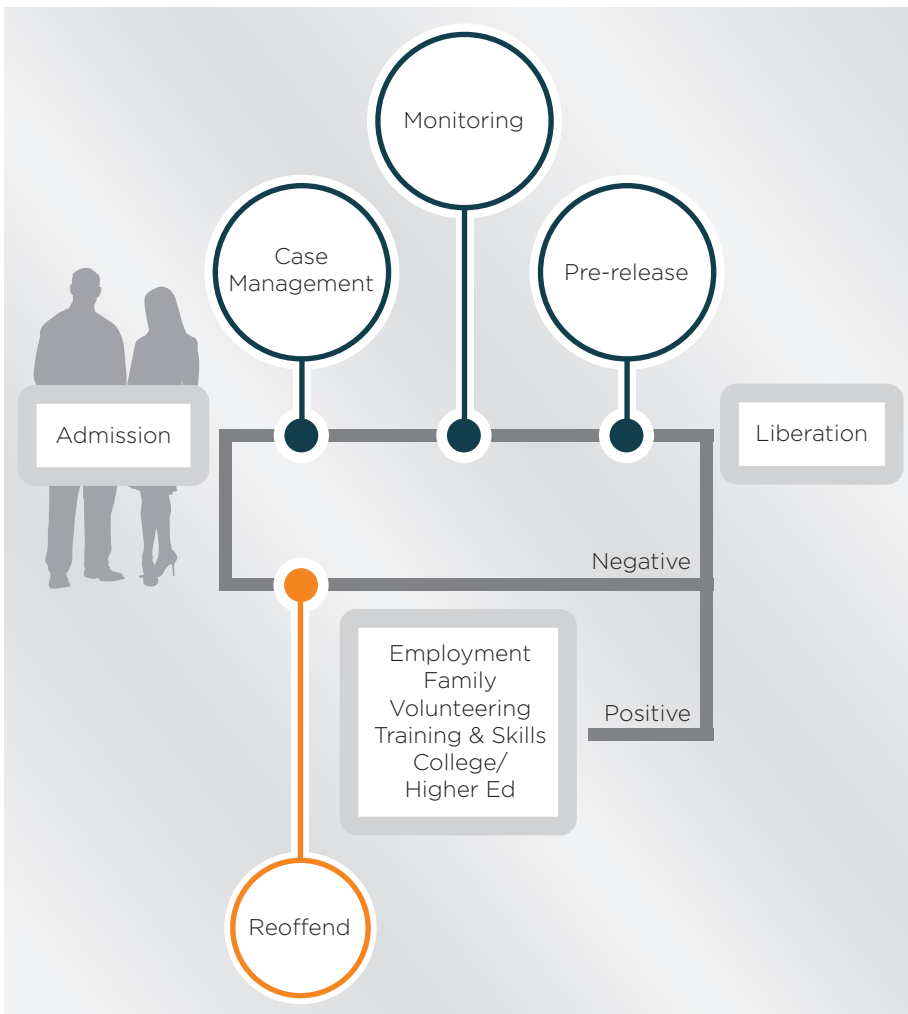
<sup>1</sup> It is important to keep the wider impact of your service in mind throughout the service redesign and delivery process. It is likely to play a particularly important role in the persuasive negotiations you will have with potential funders. For example, service user narratives or those provided by service users' family members, carers or dependents can be used to create persuasive case studies that can be presented to funders. Social media can act as an alternative source of up-to-date feedback from service users and their families.

<sup>2</sup> The service user pathway is unlikely to be one straightforward pathway as service users are likely to enter and exit from the service at different points and experience different services and levels of involvement while involved in the pathway. The pathway should capture all the possible nuances of a service user's journey through the service; it could be viewed as a menu list of all possible stages a service user can experience while involved in the service.



# beneficiaries cont...

## Example service user pathway



Mapping the journey of the service user will help to identify hand-offs and beneficiaries, provide a structure to determine what individual / organisation(s) play a role and / or influence each stage, and assist in identifying what inputs are made and at what stage of the process (i.e. cash, time, etc.). This information will also facilitate the identification of costs that will be discussed in section 6.

A service user pathway is a useful resource to have to support you

throughout the preparation of the cost benefit analysis. Drawing up a list of all the services received by services users will not only provide a reference framework for the service when identifying beneficiaries, benefits and costs but will enable you to present a clear and coherent picture to beneficiaries and potential funders of the pathway of a service user and build their understanding of the redesigned service.

## 3.4 Knowing your beneficiaries

Once the self questioning and / or pathway exercise are completed the beneficiary tracker should be well populated with a solid (and hopefully exhaustive) list of the service's beneficiaries. Understanding what these beneficiaries receive from the service is critical to ensure relevant and appropriate engagement with them throughout the delivery of the service and the development of the business case.

The first step in understanding the range of beneficiaries identified is to group them into beneficiary types - **indirect beneficiaries, potential funders and / or influencers (column 3)**.

- **Indirect beneficiaries** are those groups or organisations in receipt of a benefit indirectly, but unlikely or unable to provide funding for the benefit they are receiving; for example, increased safety experienced by members of the local community / public.
- **Potential funders** are those in receipt of benefits from the service that have financial resources which could potentially fund the service going forward; for example, local authorities, prison service, mental health trusts, NDPBS.
- **Influencers** are those who although not directly responsible for funding decisions may be able to have a direct or indirect voice or influence on the funding decisions being made; for example, service directors, strategic Board members.



**Instructions for toolkit use:** Turn to page 8 of the Resource Pack where there is an extended beneficiary tracker template to help structure these groupings and help you work through the next stages of this section.

To successfully aid in grouping beneficiaries and understanding your target audience and the potential funding available, it is useful to identify the budgets (column 2) that these groups / organisations manage. For example, local authorities will have a specific budget for all the services it funds in each area of public service i.e. early years intervention, criminal justice, local transport, employability services etc.

It is also essential to understand the timescales associated with budget setting within the public authorities. For example, budgets for financial years commencing in April will typically be agreed by September in the previous year. These timescales will influence when and how engagement takes place.

### 3.5 Beneficiary engagement

Once identified, it is important to engage with your beneficiaries (in addition to core partners involved already) as early as possible to allow them to share in the discussion, shape the service, feed into the benefits discussion and see first-hand the positive changes the service is delivering. This is particularly important for the beneficiaries which may become potential funders of the future service. Change management skills in terms of early engagement and involvement of beneficiaries is critical here to ensure understanding and buy-in from potential funders is achieved as early as possible.

Identifying whether initial contact (column 5) has been made is important to understand the level of engagement that has evolved between the PSP and the organisations. It is likely that a number of these beneficiary organisations are already an integral part of the PSP, sitting at the table and participating in a supportive, encouraging and potentially consultative capacity from the outset.

For those organisations identified as potential beneficiaries that are yet to be engaged and / or represented at the PSP meetings it is important to organise an initial conversation with their point of contact to ensure communication is established. As well as initial contact it will be important to plan out what regular forms of communication will take place with each organisation / representative.

As the business case develops it is important to align its outputs with the expectations of potential funders, or those who have an influence on potential funders. It is recommended that these communication points are planned in advance and set out as milestones in the business case plan; both the data skilled team members and senior influencers will need to come together ahead of these milestone meetings to ensure that the key messages being presented to the potential funders at these points are accurate, coherent and joined up.

The PSP may choose to invite a representative from all or some of these organisations to the Governance meetings to share in these higher-level discussions and further their understanding of the service, the PSP model and the achievements to date. Involvement at a group level will help to reduce the number of meetings and time demands on staff. Alongside these larger gatherings, more focussed interim conversations (either one-to-one or small groups of potential funders) can take place which focus on the specific details around developing and shaping the output of the business case.

Whatever means and frequency of communication is decided it is important that both you and the beneficiary are aware of when and where these conversations will take place and suitable arrangements are in place regarding the distribution of relevant information and materials. The most time effective way of recording these milestones and ensuring that everything is covered off is to revisit and update the PSP Communications Plan with specific dates and details of deliverables and expected sign-offs.

## section 4

## benefits

The objective of identifying the benefits of the service is to confirm that the costs involved are justified by the benefits (cost and improvement in outcomes) delivered. This is an important building block in the persuasive case you will present to your potential funders. This section will focus exclusively on identifying, quantifying and valuing benefits. Section 7 will look at comparing the benefits to the costs of the service and the application of tools that are commonplace in cost benefits analyses. The aim of this section is to complete the **Benefits Table** on p14 of the resource pack.

## 4.1 Identifying benefits

## 4.1.1 Benefits and outcomes

The benefits delivered by the service may be similar to the outcomes already defined in collaboration with your management information team<sup>3</sup> or between the partner organisations in the service redesign phase. The desired benefits should be in place ahead of the pilot phase to allow monitoring throughout the pilot delivery. The monitoring of these benefits in the pilot stage is crucial for the forecasting of the longer-term benefits of service delivery going forward and will underpin the business case.

## 4.1.2 Dialogue and communication with beneficiaries

As discussed earlier, input from beneficiaries around the benefits of the service is important. It is possible that a number of the identified beneficiaries are already involved in the partnership or participate in the governance meeting, and thus have already actively contributed to shaping and defining the benefits currently being monitored. Where benefits have been defined ahead of the pilot phase without consultation with all or some of the beneficiaries, it is important to begin these discussions as early as possible and focus on the anticipated benefits of the service for each beneficiary. These conversations are important as they provide beneficiaries with the opportunity to shape and provide input not only to the service but the definition of benefits.

These discussions will allow collaborative identification of the benefits beneficiaries want, need and / or expect to see to meet their budgets and forecasts and in what timeframe.

Allowing this collaboration is important to expedite the subsequent steps of quantifying and valuing benefits and, fundamentally, to start framing the future presentation of your business case to these groups / organisations.

## 4.1.3 Benefit Indicators

The indicators underlying these benefits should have been discussed and clarified at the same time as the service outcomes were being drawn up. Again, this should be an activity completed by all PSP partners and, where possible, include any potential beneficiaries. No outcome should be approved as a final outcome of the service unless there is a relevant and reasonable indicator that specifies how this benefit is to be measured. These indicators will provide the foundation to quantifying and ultimately valuing the benefits delivered by the service.

**Instructions for toolkit**

**use:** Now turn to the **Benefits table (page 10)** in the Resource Pack and **populate column 1 with the benefits identified**

<sup>3</sup> For PSPs working in criminal justice, Justice Analytical Services will provide statistical analysis but this will vary between public services and sectors.



## example

An outcome or benefit of your service might be to reduce alcoholism amongst 18-25 year olds.

- What would be an appropriate indicator to measure the achievement of this outcome?

One possible indicator would be to measure the reduction in the number of alcohol related admissions to A&E amongst this cohort (this year versus last). Alternatively, or alongside A&E admissions, measuring the increase in individuals seeking alcohol support services and/or using alcohol support services for one, two or three months could act as an indicator of reducing alcoholism. Some measures will be more robust and clear cut than others; it is useful to employ, measure and compare a number of indicators to provide a robust evidence base for outcome achievement.

### 4.1.4 The long-term view

The following steps in the Benefits section will outline how to go about quantifying and valuing these benefits. The resource pack will provide a template in which to collect this information.

It will be useful for the PSP to think about and identify the benefits that will occur annually for the next three, five or 10 years. Again, setting a timeframe for this will be dependent on the timeframes discussed with your beneficiaries with regards to realising the benefits and savings for them. The template included in the resource pack is designed for a five year timeframe. This breakdown will be important when the cost benefit analysis table is drawn up in section seven and a final net benefit of the service delivered is calculated.

## 4.2 Quantify benefits

### 4.2.1 Classifying the benefits

A question that may have emerged during the identification of benefit indicators is how some of the more non-quantifiable benefits are to be measured; for example, a safer community. For a number of services there may be a number of benefits similar in substance to that of a safer community that no indicator can accurately measure. Being unable to measure a benefit does not mean that it should be omitted from discussions or the business case. Similarly, and as will become clearer in section 4.3, being unable to attach a financial value to a benefit does not render it outside the scope of the business case.

To help structure and include all the benefits delivered by the service, it is useful to classify them under three headings:

- Non-quantifiable

*For example, a safer community.*

It is very difficult to quantify this benefit in numbers, and is better described verbally than numerically.

- Measurable and non-cashable

*For example, an increase in an individual's confidence.*

Benefits like this can be quantified in terms of progress along a numbered line (as seen in radar charts):

- 1 - refuses to leave her room
- 2 - will reluctantly accompany carer / friend to a communal area in the shared house once-a-week
- 3 - will accompany carer / friend to a communal area in the shared house at least once-a-week
- 4 - will go unaccompanied to the communal area at least once-a-week
- 5 - will leave the building to walk in the gardens / around the premises
- 6 - will go to the local shop accompanied by a carer (no more than 5 minute walk)

Although quantifiable on a scale, attaching a monetary value to this benefit is difficult and, many would argue, too crude. It is for each service to decide how best they wish to present this type of benefit. In the example above, some services may value an individual's progress from 1 - 10 (where 10 is willing to go unaccompanied to the high street) as the cost of a self-confidence course run by private company. Some services may prefer to detail the improvements in a radar chart and offer qualitative explanations.

Whichever approach is taken it is important to have the beneficiaries at the forefront of these discussions explaining what they would be willing to accept as a suitable financial measure and, if not, what qualitative information they would consider relevant and informative.

## benefits cont..

- Measurable and cashable

*For example, reduced A&E alcohol admissions.*

For these types of benefits the service can measure the quantity of the benefit i.e. 10 less A&E admissions related to alcohol each week, and proceed to attribute a monetary value to this benefit. The monetary value is likely to vary from hospital to hospital but the value will reflect the monetary cost saving made by the hospital based on these 10 less patients / visits they have to assign to a nurse / doctor, diagnose and prescribe treatments for.



**Instructions for toolkit use:**  
*Now revisit the Benefits table (page 10) in the resource pack and populate column 2, 3 and 6 with the benefits identified*

### 4.2.2 Quantifying the benefits

Having identified the benefits, determined the relevant indicators and classified them, it is important to ensure that progress made against these benefits is monitored and recorded throughout the pilot phase. In the majority of cases this is likely to involve quantifying the benefit in terms of both what has been achieved and the number of people who have achieved it. Quantifying here does not simply mean putting a number beside the outcomes, it involves measuring the achievement of each outcome by the individual by looking at their distance travelled and understanding the impact the service has had on this benefit for all service users; for example, [Financial] Person A has progressed from **Serious money problems and no means of support to No major issues but needs advice and advocacy** and then looking at the number of people who have made the same progress (i.e. 25 out of a cohort of 52 have improved their financial management).

Maintaining a robust data collection workstream will ensure benefits at individual and population (cumulative) levels are actively being monitored in a timely and accurate manner. This data collection will provide the required level of detail to progress benefit valuation.



**Instructions for toolkit use:**  
*Now turn to the Benefits table (page 10) in the Resource Pack and populate column 4 with the quantity of benefits identified*

### 4.3 Value benefits

Attributing monetary value to benefits is not a simple process and it is very likely to attract challenge from those in the partnership, others in your sector, as well as potential funders. Typically organisations look to the market to determine a suitable price to attribute to the benefits delivered by their product / service; however, the nature of the services adopting the PSP model and the benefits they give rise to makes this market valuation method less applicable. The market can be looked to for benefits involving cost savings in medical or drug treatments, but to establish the costs involved in visiting the GP and issuing a treatment will require an alternative source.

The market's inability to cost a number of the benefits delivered by the service reflects the difficulties that organisations have in attaching a value to the benefits they deliver. As mentioned above, placing a monetary value on the improvement in an individual's self esteem or confidence is often deemed crude and criticised for undermining the achievement of the individual. These criticisms are well founded and are important to consider when developing your business case.

It is for the PSP to decide which benefits they wish to include and value. Inclusion and valuation are not mutually exclusive; benefits can be included in your business case that are not valued i.e. non-quantifiable benefits can be described qualitatively rather than quantitatively, and for this reason it is important to identify benefits in their broadest context. Meanwhile, the discussions taking place with potential funders will help PSPs to frame their business case in the most appropriate and relevant way to their audience. It is important to bear in mind that the value attached to the benefits delivered by the PSP model will vary from stakeholder to stakeholder.

Described below are the types of resources available to support you in the determining a value for the benefits delivered through your redesigned service. Links are also provided in the resource pack on page 10.

#### 4.3.1 Data sources

Often government bodies and other organisations have produced and / or funded reports that have sought to put a price on costs incurred by government departments / public sector agencies through the services delivered. A good starting point is the website of the following types of organisations operating in your field:

- Government agencies
- National charities (not involved in the PSP)
- Foundations (i.e. Bill and Melinda Gates Foundation, British Heart Foundation, Gatsby Charitable Foundation)
- Think Tanks (i.e. Institute of Economics Affairs, Civitas, Reform)
- Private businesses

The above list is by no means exhaustive. Looking further afield it might be informative to understand the methods used by international governments / organisations working in your field. They may have even drawn a comparison to particular services delivered in the UK and provide some further information or links to additional information points.

- International government agencies
- International charities working in your service area

#### 4.3.2 Using data carefully

It is important to actively analyse the figures you will use to value your benefits to ensure they are accurately valuing all the benefits they claim to and, where you have identified additional benefits, these are subsequently added on to this figure. For costs estimated in a different time period, costs will need to be inflated up using the government's recommended inflationary figure.

Similarly, when using figures developed by government or other organisations it is crucial to understand how the organisation compiled this figure.



### example

A benefit of your service might be a reduction of 25 court cases. With reference to published data, you can see that the cost of a court case is £400. Multiplying this figure by 25 will give you the value of the cumulative benefit delivered by the service.

Equally, your service may reduce the number of alcohol related admissions to A&E, identifying the cost of an alcohol-related A&E admission from NHS data will provide you with a cost to multiply out.

In the example above it is important to understand what "the cost of a court case" entails; does this include benefits such as cost savings involved through reduced police and prosecutor time? Does it include any further benefits; for example, intangible community benefits like the reduced stress experienced by an individual or society due to the reduction in crime? Looking at just a few of the potential benefits it becomes apparent that there are a variety of benefits that this figure could cover and it is important to understand what exactly has been taken into account when determining this figure. Understanding the underlying components of benefits like this will ensure that all benefits are considered and costed, as well as reducing the chance of benefits being counted twice.

#### 4.3.3 Identifying proxies

Where there is no data available to provide a price to a benefit delivered by your service, it is possible to look to identify other financial proxies that could be used. Caution must be exercised when selecting your proxy measures; proxies must be thought of as suitable and appropriate not only to the PSP but also to potential funders to whom the business case will be presented. A number of sample proxies are provided on p13 of the Resource Pack.

#### 4.3.4 Other techniques

Similarly, HM treasury's Green Book provides a summary of alternative measurements that can be employed to measure the benefits of a project; for example, Willingness to Pay and Willingness to Accept<sup>4</sup>.

## benefits cont..



example

Assume a benefit from your service is **improved self esteem and confidence**. This in itself is very difficult to quantify, not least to attach a value to. However, a suitable proxy to value this benefit may be to look to the market and identify the cost of a **confidence building course**. This number could then be multiplied out for the number of service users that have experienced an improvement in confidence and self esteem.

It will be the PSP's decision as to whether the cost of the course could be applied to all service users who experience an increase in confidence, or only those who experience a substantial increase in confidence; the rationale being that those who perhaps have made less progress in building confidence will still require further resources in this area.

It is important to find a comparable proxy i.e. the PSP may feel a 1-day course does not sufficiently capture the progress that has been made by the individual and therefore may look to a 1, 2 or 6 week course as a proxy instead. The measurement of progress made will depend on the outcomes measurement being followed by the PSP.



**Instructions for toolkit use:** *Now turn to the Benefits table (page 10) in the resource pack and populate columns 6-15 with the values identified*

### 4.3.5 Totalling the benefits

Having populated the table for the individual benefits generated across the time period, it is important to take a final total figure for the benefits accrued in each time period i.e. year one, year two, year three etc. These figures will form the first line of the cost benefit analysis table that will be completed in section 7.

## section 5

# benefits mapping

Having identified the benefits and underlined the beneficiaries it is time to begin to think about building the messages of your case for change; marrying the two lists and mapping the benefits to the beneficiaries is a fundamental first move in its development.

Some questions to ask in order to draw up this map are:

- Will any organisations see a reduction in caseload/follow-up services as a result of the service redesign?
- Will any organisations see an increase in caseload in other areas of their work as a result of the service redesign which may counterbalance the reductions identified above?<sup>5</sup>
- Will the service redesign allow any organisations to reallocate resources to other or additional services ?
- If the delivery of your service was to stop due to funding constraints, would any organisations see an increase in workload or will they be required to redeploy resource from other areas of their organisation to meet new demands from service users?
- When will these benefits be realised – in the short or long-term?
- Do the longer-term benefits depend on any additional factors? If so, should this shape or influence when discussions around funding take place?



### example

Services will deliver different benefits at different points in its delivery and, equally, may impose additional costs on some areas in the process of achieving these outcomes. For a service achieving its outcome of reducing reoffending it is likely to lead to an increase in the number of people signing on for JSA in the short-term, with the anticipation that longer-term employment benefits will be realised. However, for DWP it is clear that these benefits will be reaped in the longer-term through reduced numbers claiming JSA and an increase in tax and national insurance revenues due to employment. Being aware of these timescales will be important to ensure purposeful discussions are taking place between the PSP and the various service beneficiaries at the right time.

For example, once delivered and evidence from the pilot has been collected, will this service have generated benefits (i.e. savings) for (as examples):

- Councils through reductions in admissions to statutory services
- Hospitals through reductions in readmission i.e. reductions in medical supplies costs
- JCP or DWP through more sustained employment i.e. reduction in benefit payments or divestment / funding reduction in services that are no longer required / as highly demanded?

Again, it is critical that the dialogue between you and the beneficiaries is underway and constant. Benefits mapping is an iterative process and it is possible that new beneficiaries and/or benefits are likely to emerge as more discussions are had in this area. The more iterative the process the better; challenging assumptions is the best means to ensure that everything is captured and as sound as possible.

In mapping the benefits to the beneficiaries it may be useful to identify which beneficiaries will expect to see these benefits in the short-term and in the longer-term to ensure messaging is suitably timed.



**Instructions for toolkit use:**  
 Now turn to pages 14-17 in the Resource Pack for an example of 2 possible benefits map formats

<sup>5</sup> It is important to always consider the broad consequences of an activity; time savings in one area may lead to an increase in workload in others.



## section 6

# costs

Understanding the costs involved in delivering the redesigned service requires a clear and comprehensive awareness of the financial requirements of service delivery going forward and the amount of funding needed from your potential funders. Access to relevant, reliable and timely costing information will further enhance the accuracy of your cost benefit analysis calculations and the robustness of your case for change.

A number of possible approaches to valuing costs are included below (section 6.3), however, available methods are not limited to those described in this toolkit. It is for the individual PSP to ensure they adopt a method that they are most comfortable with and to take responsibility for accurately costing the inputs to the service delivery. As is the case with the benefits identification and valuation, being confident with the methods employed and the figures presented is equally important to a successful business case presentation. It is likely that beneficiaries will ask questions about the numbers and an inability to speak confidently about the calculations will greatly undermine your funding request.

### 6.1 Identify inputs

To establish an accurate picture of costs it is important to estimate as carefully as possible all inputs contributed by each of the partner organisations to the new service.

Below is a non-exhaustive list of questions to start your thinking around the costs attached to your service.

- What organisations have been involved in establishing and delivering the new service i.e. the pilot phase?
- What costs have the individual organisations incurred in the setup of the new service?
- What costs are incurred in providing the service by all organisations?
- What staff costs have been incurred? Do these include costs for staff both delivering the service and managing the service design and delivery?
- Are there any volunteers involved in delivering the service?
- Were there any recruitment and training costs involved for the new service? Will there be future recruitment and training costs? Are these in addition to recruitment and training programmes already established?
- What other costs are incurred in delivering the service i.e. premises, equipment maintenance, IT licenses, service user drug treatment, travel etc.

It is important to think beyond just the cashable inputs used to deliver the service for example, volunteers. Often these seemingly “free” resources have additional costs in themselves (perhaps expenses) but, similarly, they present an opportunity cost that needs to be considered. This will be discussed further in section 6.3.

### 6.1.1 Classifying inputs

In the section above we have focussed on the inputs required to establish and deliver the pilot of the new service. This is important in order to identify what costs are required to deliver the service on an ongoing basis.

To help structure and ensure inclusion of all inputs to the service delivery, it is useful to classify them under three headings:

- Set up costs

*For example, costs involved in the formation of the partnership.*

These are costs incurred by the PSP prior to ongoing service delivery i.e. PSP set-up costs and pilot phase costs.

- One-off costs

*For example, marketing or promotion of the service to attract new referrals or the creation of a monitoring system for the service delivery going forward. These are non-recurring costs that arise due to ongoing service delivery.*

They may be forecast to arise at the beginning or during the course of the service delivery but occur only once and are not related to the set-up costs identified above.

- Ongoing / recurrent costs


*For example, salary costs and IT maintenance.*

These are recurring costs that will be incurred throughout the delivery of the service. They can be further subdivided into:

- ⊖ **Fixed:** one steady constant expense i.e. annual salaries, premise after costs

Set-up <sup>1</sup>	One-off <sup>2</sup>	Ongoing / Recurrent	
		Fixed	Variable
Market research involved in service development	Marketing/ promotional costs i.e. PSP post-pilot launch	Salary costs	Salary costs in the long-term
Staff time in creating and administering the partnership up to and including pilot phase	Recruitment costs for staff to deliver service	IT maintenance	
	New recruits training	Premise costs	
	IT Equipment		
	Service expansion costs to new areas		

<sup>1</sup> Any costs involved in establishing the partnership, designing the new service and piloting the new service  
<sup>2</sup> Any costs involved in the delivery of the service going forward. This excludes costs involved in the piloting of the service.

 **Variable:** value of the cost changes through the delivery of the service, perhaps due to changes in demand. Inputs may be **variable and increasing** and so a positive change in level throughout the delivery of the service will be experienced; for example, number of FTE key workers may increase as the service reports success with service users and more individuals seek support from the service. As the example indicates, a positive increase in the number of inputs required does not necessarily mean that the service is performing poorly. It is important to clarify this in your business case and the discussions you are having with beneficiaries to ensure the right message is portrayed.

Alternatively, they may be **variable and diminishing** and so a negative change in level will be experienced throughout the delivery of the service; for example, number of FTE key workers may reduce as the service experiences success with service users. It is important to underline that a diminishing or negative trend in these costs is positive as it underlines a reduction in the inputs required due to successful service delivery.

Consider whether set-up costs should be included in the forecasting of costs for ongoing service delivery. These can be sunk costs, costs already foregone and incurred irrespective of the ongoing service delivery. Furthermore, in a number of cases funding for these costs may have already been received from other sources and so their inclusion would be considered illegitimate due to double funding.

However, if in developing your service the partnership has agreed to seek an expansion in operations (i.e. to new geographies) then set-up costs for the expansion phase will need to be included and clearly identified as such.

### 6.1.2 The long-term view

As discussed above with regard to the benefits of the service, it is important to breakdown and isolate the costs incurred for each year of the timeframe agreed with your beneficiaries.

Whether this be 3, 5 or 10 years, it is important to have an annual figure set against each input to understand the cost drivers of the service and to also see where cost reductions are expected in the long-term. For some services it might be the case that, due to its effectiveness and the achievement of its outcomes, staff numbers will reduce as the demand for the service reduces. This pattern is something that beneficiaries will want to see expressed in your calculations of costs. The template in the resource book is designed for a five year timeframe.



**Instructions for toolkit use:** Now turn to the Costs table (page 17-19) in the resource pack and populate column 1 and 2 with the costs identified

## costs cont...

## 6.2 Quantify inputs

Once classified, a unit measure and a number will need to be put against all the inputs identified; for example, number of FTE hours, number of buildings required, number of computers required, number of IT licences.



**Instructions for toolkit use:** Revisit the Costs table (page 19) in the resource pack and populate column 3 and 4



### example

A member of staff from one of the partner organisations splits her time between delivering the PSP designed service and another service provided independently by her organisation. In determining the quantity of her time as an input to the system it is necessary to accurately identify the time she allocates to each service. If the member of staff has a normal working week of 35 hours of which 21 hours are spent delivering the PSP service then 60% (21/35) of her salary should be costed as part of the PSPs costs.

## 6.3 Value inputs

Estimating the costs (valuing) the inputs to a service is a complicated activity and requires individuals with strong financial and analytical skills. However, having run the pilot for the service, the PSP should be in a good position to understand the costs involved in the service with any potential improvements to the service requiring additional costing. Equally, harnessing the knowledge of all the partners delivering the service will enable costs for all resources employed to be quickly identified.

### 6.3.1 Key cost considerations

#### Staff Costs

HR departments within each of the partner organisations should be able to provide a breakdown of the staff costs involved in service delivery. It is important to include the additional costs on top of standard salary pay i.e. employer contributions (national insurance contributions, pensions)

#### Resource costs

These include all non-staff related costs. As is the case for staff costs, it is important to include all resources employed by each partner organisation for the delivery of this service.

#### Additional funding

Any resources that are contributed by a PSP partner but that are already funded from outside of the PSP need to be accounted for but not costed; for example, a mentor or carer involved in service delivery who is sponsored by an external foundation. In such an instance, the resource or cost needs to be included to demonstrate the true figure of resources involved in the delivery of the service; however, it is important not to cost this when breaking down the funding requirements of the service.

It is important to identify in the business case those resources already in receipt of funding. Doing so avoids questions around funding duplication and associated credibility issues. Moreover it demonstrates the true cost of the service and makes the beneficiaries fully aware of the value they are receiving in exchange for their funding contribution.

#### Additional costing information

Where there is no information on the cost of a future service delivery resource i.e. because it has been added as part of the review process to the service, then it is important to seek costs specific to your service and to your area. Although national statistics (i.e. average costs) are often used and more widely available, they are not as relevant or specific to the delivery of your service. National figures can be used as a starting point but will require review in the short-term, i.e. once the service improvement is underway, to ensure forecast costs are accurate going forward.

### 6.3.2 Opportunity Cost

Opportunity cost looks at the potential gain generated from investing or reallocating an input elsewhere.

Opportunity cost can occur across a number of inputs to any service delivery; it is particularly useful when looking at the value of inputs that do not in themselves have a value attached i.e. volunteers. The value attached to the volunteer's time could be calculated by considering his/her employment in another department in the service and the costs his/her role could reduce.

The PSP partners will have to decide if opportunity cost is relevant and appropriate in their business case analysis and, if so, how to use and calculate it.

### 6.3.3 Totalling the costs

Having populated the table for the individual costs and years it is important to take a final total figure for the costs incurred in each time period i.e. year one, year two, year three etc. These figures will form the second line of the cost benefit analysis table that will be completed in section 7.



**Instructions for toolkit use:** Revisit the Costs table (page 19) in the resource pack and populate column 5-14



example

The cost of employing a case worker within the PSP includes not only the salary of the case worker but the cost of not employing him/her on a different project - there might be negative consequences to the alternative project.

Organisation A has two departments both of which are in need of additional resource. Its recent volunteer recruitment drive only saw one new volunteer sign up, she has the skills required by both departments. Organisation A must decide which department to allocate the new volunteer. The department that does not receive the volunteer will be forced to create an additional post and pay the new employee a salary.

- Department 1 placed its request for additional support one year ago, and department 2 submitted its request only 3 months ago.

- The cost of a salaried employee in Department 1 is £20,000 and in Department 2 is £30,000.

#### Where should organisation A place its volunteer?

Although department 1's request for additional support was submitted over 9 months earlier than department 2, placing the volunteer in department 1 will mean the organisation must pay an extra £30,000 to the new employee it hires to department 2. Alternatively, allocating the volunteer to department 2 means that the organisation only suffers an extra £20,000 in costs.

This simplified example shows only two of a number of factors that must be considered when valuing free resources.

section 7

# comparison

In order to prepare the final business case analysis in which the costs and benefits are compared, there are a few important adjustments to make to the cost benefit calculations already completed, as well as a number of additional issues to consider.

## 7.1 Cost and Benefit Adjustments

### 7.1.1 Inflation

The business case that you are presenting for the service looks at service delivery both now and in the future. Due to the time period that these calculations cover it is important that relative price changes during this period are taken into account.

All costs and benefits should be expressed in constant or real terms rather than current and nominal. The most common figure used to determine the constant price is the Bank of England's inflation - this is currently set at 2.5%.<sup>6</sup>

### 7.1.2 Discounting

Discounting enables organisations to draw an accurate comparison between costs and benefits occurring in different time periods.

Based on the notion of "time preference", it recognises that when an individual is offered £100 today or £110 next week, the majority of those asked will choose to receive the money today due to risk (i.e. the money will not be paid out tomorrow and/or will be worth less), and opportunity cost (i.e. the potential investment that could be made by investing the £100 today). HM Treasury puts the discount figure at **3.5%**.

Extract from HMT The Green Book, Appraisal and Evaluation in Centra Government

### DISCOUNT FACTORS

year	Discount rates										
	1.0%	2.0%	3.0%	3.5%	4.0%	5.0%	6.0%	7.0%	8.0%	9.0%	10.0%
0	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
1	0.9901	0.9804	0.9709	0.9662	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091
2	0.9803	0.9612	0.9426	0.9335	0.9246	0.9070	0.8900	0.8734	0.8573	0.8417	0.8264
3	0.9706	0.9423	0.9151	0.9019	0.8890	0.8638	0.8396	0.8163	0.7938	0.7722	0.7513
4	0.9610	0.9238	0.8885	0.8714	0.8548	0.8227	0.7921	0.7629	0.7350	0.7084	0.6830
5	0.9515	0.9057	0.8626	0.8420	0.8219	0.7835	0.7473	0.7130	0.6806	0.6499	0.6209



example

Assume a service delivers £150 of benefit at the end of years 1 to 5. The value attached today to these benefits need to be discounted to allow for the individuals' "time preference" (as described above).

Time	0	1	2	3	4	5
Present Value (£)	n/a	145	140	135	131	126

Adding up the value of these benefits over the 5 year period gives you a total net present value (NPV) of £827. NPV calculations are commonly used by government and others organisations when making funding or investment decisions.

This will be discussed further and applied in the cost benefit analysis section below (7.3.1)

<sup>6</sup> HMT, 2013, The Green Book: Appraisal and Evaluation in Central Government. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220541/green\\_book\\_complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf)

## 7.2 Benefits Adjustments

### 7.2.1. Deadweight (“Do nothing” scenario)

Deadweight refers to the amount of the benefit(s) that would have been realised by the service users in the absence of the new service i.e. under a “do nothing” scenario. Establishing what portion of the benefits would have been experienced outside of the delivery of this service requires input from the service users, their families, carer and / or mentors to establish what the anticipated outcomes would have been without the delivery of the new service. Factoring the deadweight benefits into your calculation will enable you to isolate the added benefit delivered by your service.

If this adjustment is included in your business case analysis then it is important to think about the data required to underpin this. As a new service the PSP will not have the benefit of records from previous service delivery to compare against. It will be important to consider the data requirements and seek to gather and analyse the data at the appropriate time intervals from the appropriate individuals.

### 7.2.2 Displacement

This measures the extent to which the positive benefits generated by the new service are offset by negative outcomes for others in society. Often, due to the complexity, this is omitted from evaluations. If this is the case then its exclusion needs to be clearly indicated in your business case analysis so funders are aware of its exclusion.

### 7.2.3 Attribution

Once the proportion of the benefit delivered is determined over that of what would have occurred (deadweight), consideration needs to be given to how much of the benefits(s) can be directly related to the new service being delivered and not to other organisations and / or people that the individual receiving the new service has accessed, i.e. **attribution**.

When looking at the benefits delivered by your service it is important to bear in mind that your service users may also be accessing other organisations’ support. A key consideration is how much of the benefit they are accessing is as a result of your service. Again, consultation with the service user, their friends, families and carers is a good starting point to help determine the contribution of your service to these benefits.

**Timebound** – It will be necessary and important to state any assumptions based on benefits received by service users upfront; will it be assumed that benefits received one year after involvement with the service comes to an end will still be deemed the result of the mentoring service? Often the assumptions made can seem crude i.e. any outcomes for the individual 18 months on are deemed outside of the service’s delivery. It is important to look at the service as a whole, and previous experiences with the various components of the service, to determine a practical assumption to be determined.

It is also important to consider whether the benefits presented in the business case reflect only the benefits delivered while the service user is accessing the service, or also include those that will be delivered once they have stopped accessing the service. Both methods for estimating the benefits are reasonable and it is highly likely that the benefits delivered following completion of the service will be included i.e. reduction in benefit payments to DWP due to the service user successfully securing employment.



## example

Assume a young man successfully secures a job having received a personalised mentoring service. Once employed it is agreed between the mentor and him that he no longer requires the mentoring service but will check in with his mentor every 6 months to keep him updated of his progress. 12 months later the young man receives a promotion at work that involves greater responsibility and ownership for tasks. Although important in securing the initial role at the company, can the mentoring service be said to have led to the promotion?

## comparison cont...

### 7.2.4 Drop-off

**Robust pilot phase monitoring** – if there is little or no useful prior information or government data available then it is worth looking at the data that has or will be collected during the service’s pilot phase. Robust monitoring will be underway to establish the added benefit delivered by your service and it can also be used to provide a basis to establish the drop-off rate experienced by the first users of the service.

This will require PSPs to regularly monitor service users’ progress following their exit from the service. It is important to identify early on whether this is within the resource capability of the PSP; often PSPs have the capacity to monitor progress while the service user is a part of the service and for up to 3-6 months following their exit. However, depending on how remote the benefits you wish to include in the analysis are, it may be necessary to extend that monitoring period to 1-2 years post-exit to ensure accurate forecasting. If PSP capacity is limited, and extended progress monitoring is not possible, then it may be necessary to reconsider what benefits are to be included in the cost benefit analysis.

It is important to include only those benefits that can be accurately forecast and evidenced. If there is not sufficient evidence to support the more remote and longer-term benefits (i.e. poor / no baseline for the drop-off rate) then it may be worth considering their place in the business case. An inability to provide numbers on this may call the entire business case analysis into question and undermine the service and funding options.

### 7.3 Comparison methods

The method you choose to compare the costs and benefits of your service and the indicator(s) you present will be best identified through the discussion you hold with your beneficiaries. The key to communicating your message is to employ language and terminology they are familiar and can identify with.

#### 7.3.1 Cost benefit analysis

This is a very popular method for assessing the effectiveness of a project and, once the steps covered in this toolkit are followed and completed, the PSP will have to hand all the data it requires to undertake this form of analysis.

The aim of this appraisal method is to demonstrate the net benefits of the service; it does this through quantifying and aggregating the costs and benefits of the new service in monetary terms and deducting the latter from the former to identify the difference i.e. the net benefit (benefits – costs). The net benefit is then discounted to provide the net present value figure for the net benefits delivered through the service i.e. the value of the net benefits adjusted for time preference.



### example

Assume a different scenario for the young man who successfully secures a job having received a personalised mentoring service. After 12 months, his performance was reviewed and his manager felt because he had not been performing at a consistently high standard he would be put on a one month probation period. Following the end of the probationary period the young man had failed to make any improvements and his employer had to let him go. In this case the benefit received by the young man would have extended to one year post-mentoring, however, not beyond. It is important to forecast what the likelihood of this drop-off in benefit of the service will be to ensure an accurate benefits forecast.



#### Instructions for toolkit

**use:** Turn to page 20 in the Resource Pack and start to fill in the rows of the Cost Benefit Analysis table using the guidance below

The table in the resource pack includes a column for Year 0. Typically in cost benefit analysis the **costs** row of this column would be populated with any initial set-up costs incurred in the creation of the service. It will be dependent on the PSP whether the set-up costs are incurred as part of the service delivery. Generally set-up costs are not incurred for service delivery, and should be excluded and the figures in the Year 0 column should all be 0. If this is the case, it is important to leave the column in the calculations to demonstrate that set-up costs have not been included in the calculation.

- **Benefits (Row 1)** – Take the total benefits for each year from the Benefits Table and transfer to the first line of the Cost Benefit Analysis table
- **Costs (Row 2)** – Take the total costs for each year from the Benefits Table and transfer to the first line of the Cost Benefit Analysis table
- **Net benefits (Row 3)** – Subtract the costs from year 1 from the benefits from year 1. Repeat for all years of your timeframe.
- **Discount Rate (Row 4)** – Check to ensure the government specified discount rate figures have not changed and input them into the fourth row (as per the table)
- **Discounted Cash Flows (Row 5)** – Multiply your net benefits by the discount figure in row 5 to establish the net benefit of your service in each year when adjusted for time preference
- **NPV** – Add across all the figures in row 5 (the discounted cash flows for years 1 to 5) to calculate the net benefits of your service.

If this figure is a positive number then current forecasts suggests the service will deliver a net benefit across years one to five.

If this figure is a negative number then there is a suggestion that the service's costs outweigh the benefits it is estimated to deliver. If, due to question marks over proxies, the PSP has chosen not to quantify a number of benefits or feels that a large amount of the benefit is non-quantifiable then it will be the PSP's responsibility to evidence and justify these unquantifiable benefits to its potential beneficiaries.

A negative NPV does not close the door on potential funding as different beneficiaries will receive these benefits / savings to different degrees so, despite overall not generating a positive return, funding may be sourced from those organisations that will experience some of the identified benefits / savings.

### 7.3.2 Beneficiary Specific Cost Benefit Analysis

In some circumstances – for example, where a negative total NPV for the service is calculated and / or where a large number of benefits accrue to one organisation – the PSP might deem it more useful to present an individual benefit analysis to each of its key potential beneficiaries.

If the benefits mapping in section 5 has been completed successfully then the benefits mapping exercise undertaken in section 5 will provide the PSP with the figures it needs to support a benefits focussed business case.

In conversation with your key beneficiaries it might be agreed that a beneficiary specific benefit analysis be drawn up. If this is the case a similar process to that outlined in 7.3.1 relating to NPV calculation will need to be undertaken with the following adjustments

- **Benefits (Row 1)** – The benefits totals calculated per year in section 5 (Benefits Mapping) for the beneficiary in question should be inserted here.
- **Costs (Row 2)** – It would be inaccurate to use the aggregated costs for the service in this calculation. A suggested adjustment would be to apportion the costs based on the % of benefit received by the beneficiary.

Working through the remaining steps of the NPV calculation will allow a beneficiary-specific cost benefit analysis to be calculated.



## comparison cont..



## example

- Beneficiary A receives benefits estimated to be worth £26,000 in year one, £20,000 in year two and £18,000 in year three.
- The total benefits delivered by the service in this timeframe are: year one - £52,000; year two - £42,000; year three - £36,000.
- The total costs incurred by the service in this timeframe are: year one - £34,000; year two - £30,000; year three - £31,000.
- Based on these figures the costs of the service should be apportioned by 50% in year 1, 66% in year two and 50% in year three. The costs line for Beneficiary A will read: year one - £17,000; year two - £19,800; year three - £15,500.

## 7.4 Likelihood Analysis

Due to the uncertainty surrounding cost and benefit forecasts, assumptions and estimations are frequently employed. Likelihood analysis is employed in order to challenge and test the impact forecast based on the assumptions and estimations made.

Often an “optimistic” and a “pessimistic” scenario are explored in which the individual(s) making these forecasts and undertaking the analysis changes the key variables that have been used to determine the benefits and costs (i.e. inflation figures, quantities of input, numbers of service users in receipt of benefits etc.) in order to estimate the possible range of impact. Where any of these key variables are particularly sensitive it is important to establish whether the right variable is being used and also to state the assumptions made surrounding this variable.

It is important that this optimistic / pessimistic or best / worst case scenario hypothesising is done for all service costs and benefits which are subject to variation.

Using the optimistic and pessimistic figures considered for each benefit and cost and multiplying them by the value attached to each unit of benefit and cost will enable two additional scenarios - pessimistic and optimistic - to be calculated. Calculating these two scenarios will enable a range of costs and benefits to be established. These figures will enable the PSP to calculate an optimistic and pessimistic net benefit which, together with the expected net benefit calculated previously, provides an impact range for the service.



## example

Assume the PSP has identified a reduction in A&E admissions by 150 in one year. This figure is based on the successful intervention of the service in the lives of 30 people who, previous data suggests, would have been admitted to hospital 5 times. Although possible, the service's ability to achieve this reduction is based on the number of referrals it receives and the number of these individuals who seek support through the service.

In undertaking the sensitivity analysis it is important to think realistically about the number of referrals received and the challenges often faced in receiving them. Are 30 referrals likely? If not, what would the best case and worst case scenario be? Perhaps, 12 referrals would be a reasonable estimation for the least amount of referrals likely to be received and 43 for a very successful promotional campaign and reception of the service by service users.

## section 8

# taking sustainability forward

## 8.1 Sustainability Action Plan

Throughout the development of your business case it is critical that you are proactively engaging with, discussing and seeking feedback from your beneficiaries to ensure that the business case developed throughout this process meets their expectations and thus provides evidence for your future funding request. Achieving sustainability for the PSP will be an activity heavy exercise and will require significant input from the partnership for success. To this end it is crucial that sustainability is planned for in advance to ensure that it is both effective and successful.

Equally it is important to bear in mind throughout the service redesign process that procurement legislation may apply to your service. This means that although you may have identified the local authority or NHS Board as a potential beneficiary and secured their agreement on the specifics of the business case and future funding, it may be the case that the authority/council is obliged to tender for the service and thus create a service specification document. OJEU procurement and state aid regulations will govern the approach adopted by the public sector. OJEU compliant tendering is required over certain thresholds. The following website will have the most up to date information on these thresholds: <http://www.ojec.com/>

Whether as a result of the tendering process or budgetary constraints, it might be the case that the Public Authority's formulation of the service specification does not align directly with that of your service.

The public and third sector group which has formed the PSP will split before procurement commences, with public bodies defining the final specification and running the tender to ensure fairness, transparency and equal competition between all prospective bidders. In such an instance it may be necessary for third sector participants to rethink elements of your service to ensure that it complies and meets with the criteria set.

## 8.2 Sustainability Roadmap

The resource pack provides a sustainability action plan template that outlines suggested actions to be undertaken. This plan can be developed using the sustainability roadmap as a support tool.

There are four workstreams which we have specified, however the plan should be expanded for additional workstreams which you may wish to add. The workstreams cover Evaluation; Commissioner Engagement; Marketing and Communications; and Commissioning and Procurement. Whilst we have separated these activities into four different workstreams, it is important to understand that there will be crossover between all the workstreams and that they are heavily interlinked. None of the actions will be possible in isolation and so the planning process must take into account that many of these actions are interdependent and must occur at the same time. This will make sustainability a significant drain on resource from the project manager and the partnership and must be carefully and closely managed.

The resource pack shows how the tool can be used to plan out the activities we have suggested using the planning template, as well as the excel planning document (available on request) which can be used for identifying day to day changes and monitoring of progress. The list of activities we have supplied is not exhaustive, nor are they mandatory for inclusion, the template is designed to be adaptable to make it fit for purpose for each individual PSP.

### 8.2.1 Evaluation

The evaluation workstream covers all activities related to appointing and managing evaluators in order to maximise the impact of the evaluation on future commissioners. This involves regular reports, meetings and discussions surrounding emerging evidence and ensuring that the evidence is representative of the outcomes which the commissioners expect to see. This is very important as the services provided will need to meet funders' expectations to have a chance of gaining funding. It will also be important to link the evaluation findings to the other workstreams in sustainability planning. Evaluation results may change the marketing strategy, how you interact with commissioners and whether the service goes to public procurement or is re-commissioned, through grant funding.

It will be important to engage with potential evaluators early in the process so that a rigorous assessment can be performed to select the best evaluator for the PSP, and to hold conversations to shape the evaluation. The earlier that this process begins, the larger the evidence base for the business case. Any evaluation will ideally be conducted over a minimum of 12 months where possible.

## taking sustainability forward cont..

### 8.2.2 Commissioner Engagement

This workstream entails identifying the key commissioners, gate keepers and decision makers within each of the beneficiary organisations, whilst identifying the key outcomes these individuals wish to achieve. By doing so, the way in which you engage with these people will be much more effective and the discussions should be more dynamic. As noted previously, it will be essential to engage with all future funders as early as possible on a one-to-one level to ensure that they understand the PSP and the new service and achieve substantial buy-in.

It will also be essential that target budget areas and allocations are identified to identify whether a particular commissioner has any scope for investment or whether all spend has already been committed, so that commissioners can be prioritised. This is especially important where short timescales are involved. It is important to set-up formal meetings and pitches to commissioners to formalise the process and stress the importance of the PSP to the achievement of their departmental and organisational outcomes, as these conversations will help commissioners engage fully with the process. These meetings should commence no later than June in any particular year, if funding is sought for the following financial year, in order to maximise buy-in for the service and to clearly allocate benefits to identified funders and be successfully completed by September.

It may also be helpful to invite some influential commissioners to sit on the PSP's steering/governance group to ensure they fully understand the services provided and the benefits whilst taking an active role in shaping the service and contributing to key decisions. Invitations to steering/governance groups should be extended when conversation commence in order to allow funders to express their interest in the PSP and contribute to key decisions.

### 8.2.3 Marketing and Communications

Strategic publicity of the PSP's aims and achievements will be one of the decisive factors in the success of the programme. Ensuring that the full range of stakeholders are aware of the service and the benefits that this entails will significantly improve the likelihood of sustainability. Key activities will involve creating an events programme, ensuring that key conferences such as ADSW and COSLA are targeted, and that designated champions attend these and promote the successes of the PSP, thereby helping to elevate the PSP's status. It will also be important to create a bank of PR, case studies and newsletter articles. This will not only help consolidate the evidence base required to prove success of the PSP, but it will also help promote the PSP to a wider target audience of service users and potential funders. This bank of evidence should be a long term activity and should be started as soon as the pilot service has commenced. It may also help generate interest from other localities who may be looking to implement similar services.

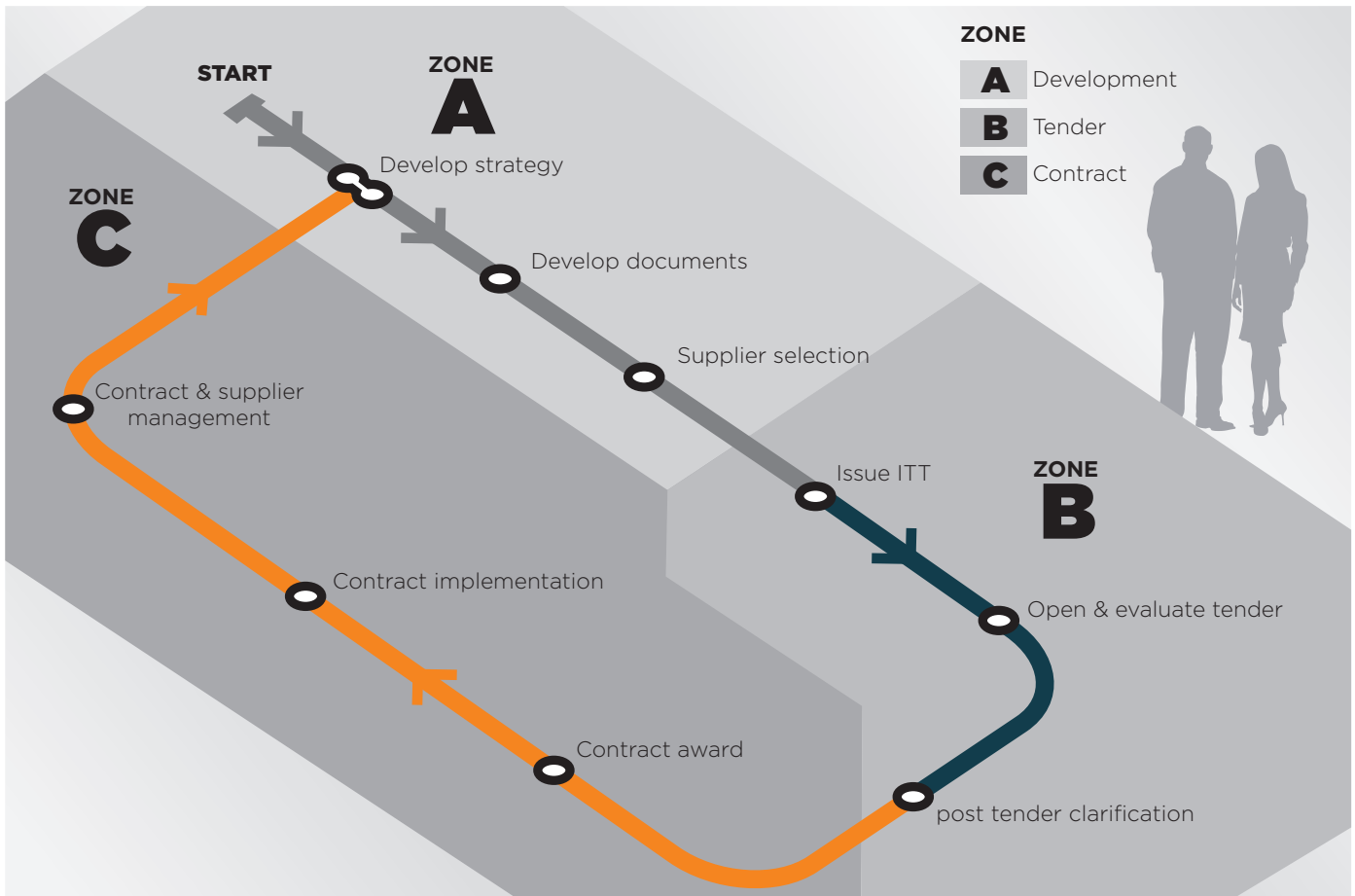
Holding regular PSP review events will help ensure that the marketing and communications strategies are delivering as expected and whether the key messages need to change. This will ensure that the strategy is more aligned to the needs of users and funders and should help achieve sustainability.

### 8.2.4 Procurement

Whether a procurement or grant-funding route is chosen by the public sector at the end of the pilot stage, it is important to plan for either route to ensure that sufficient time and resource is available. It will be essential to have completed a number of activities in the commissioner engagement workstream before the procurement and commissioning activities can begin, but it is also equally important for you to understand the commissioner timescales because if these are not met, then there will be a low success rate of obtaining funding within required timescales.



**Instructions for toolkit use:** now turn to page 23 in the Resource Pack and use the suggested activities on page 24-25 to begin mapping out your sustainability roadmap.



The above diagram shows Scottish Government's procurement journey which is followed by Public Authorities in Scotland. It shows the range of activities that will need to be completed and it is therefore important for Third Sector participants to fully understand the end to end process and associated timescales for any competitive tendering process they will be involved in. There are also separate journeys for the supplier and buyer processes which may be useful for PSP's to understand and reference.

The Scottish Government procurement website provides more information on the procurement process and the supplier and buyer journeys: <http://www.scotland.gov.uk/Topics/Government/Procurement/buyer-information/spdlowlevel>

The procurement process is very time consuming and when aligned to prospective funders' timescales, can be very challenging. Many authorities abide by rigid timescales for procurement processes, particularly where they are complex, as would be the case for any PSP-designed service, and most commissioners will have their own timescales which may or may

not be flexible. This therefore makes it imperative that relevant and immutable timescales are known as early as possible within the sustainability planning process so that it can be factored into your sustainability plan.

It is worth planning for at least nine months for the procurement process to be completed (or more with some procurers). Building these timescales into planning processes where current funding is due to end is essential, to ensure that there are no gaps in service provision between the end of one funding stream and the commencement of a formally procured contract.

## section 9

## conclusion

This toolkit provides guidance to PSP participants on the activities which should be included in any action plans focused on achieving future sustainability of newly-designed services. Individual PSPs will be required to adapt the guidance provided to reflect their individual situations by undertaking additional activities, or indeed eliminating activities suggested which are deemed unnecessary. Whilst ongoing sustainability of a service will ultimately be the decision of public sector commissioners (although this may not be the case where alternative sources of funding can be accessed), development of a strong, accurate and detailed business case will support arguments for the provision of sustainable funding. To do this, PSPs must ensure that they complete a number of key activities:

1. Early identification of capacity and capabilities to complete a cost benefit analysis. Having a deep understanding of the resource requirements for the service to operate as well as the benefits that are likely to develop as the service progresses will create a much stronger case for investment. It is also important to make sure that all resources are fully justified so that any challenge from investors can be whilst ensuring that the service requirements are not compromised.
2. Early allocation of roles and responsibilities to deliver the analysis. Ensuring that all key roles are filled will help the PSP deliver the business case much more efficiently. One person can fill more than one role so long as they have the capacity and relevant skill set. Using the template provided may help identify the key roles and responsibilities.
3. Clear communication of the mission and objectives of the service to all involved parties. Ensuring that everyone is aware and is working towards a common goal will unify the partnership and drive progress. It is useful to reiterate this message routinely as the original mission can become diluted as the project progresses. The communication of the goals also helps drive publicity of the PSP with future funders and service users.
4. Early identification and relationship building with beneficiaries. The earlier this relationship forms, the earlier the PSP will understand the goals, aims and constraints of potential funders. This helps shape the evaluation process and the results of the pilot. It may be useful to use the relationship to improve the service through inclusion of key decision-makers on governance groups, as well as establishing support and buy in for the service.
5. Regular and open conversations with potential beneficiaries about the service and their expectations. Obtaining this input will help ensure that the business case is tailored towards these expectations, allowing the evaluation and pilot service design to develop in line with these as well as making sure that expectations are managed and beneficiaries are aware of what can actually be delivered instead of promising a service that is outside of available means.
6. Accurate estimates of all benefits and costs for the timeframe agreed. Future funders will be looking for an in-depth and accurate picture of the costs of running this service and it will not be looked on favourably if these estimates are not in line with actual costs. It is also important to consider the inclusion of the opportunity costs as well as resource and staff costs and make sure they are specific only to this PSP, should they be included.
7. Upfront identification and explanation of assumptions and calculations. It is important to make sure that the reader of the business case fully understands the rationale behind the decisions related to assumptions as otherwise the report may be misleading and could lead to the funder withdrawing their support and the PSP's sustainability approach failing. It is important to also fully disclose calculations so that funders can work through any figures and understand how the final numbers came about - this should reassure them that the financial calculations are correct.
8. Explain the benefits to each potential funder and tailor this to each. It is important to demonstrate to each funder the benefits that investing in this PSP will bring to them, whether it be cash savings, reduction in use of statutory services, social benefits or improved outcomes. This may be evidenced in many different ways such as case studies, actual cash savings or a reduction in admissions or users of services such as hospitals but is essential that these are highlighted to the relevant commissioners.
9. Early planning of sustainability approach. It is essential that all PSPs identify the procurement timescales of future planners and OJEU regulations and factor this into their planning exercise. PSPs should by April at the latest, implement their sustainability strategy if they are seeking follow-on funding from the start of the following financial year so that services can be re-commissioned without a gap in service provision.

## section 10

## glossary

<b>Attribution</b>	An assessment of how much of the change/benefit experienced by the individual/organisation is delivered by the service
<b>Beneficiary(ies)</b>	Any individual or organisation in receipt of a benefit from the delivery of the service
<b>Benefit</b>	Any gain delivered to an individual, organisation and/or society as a consequence of the service being delivered
<b>Business case</b>	A document that captures the reason for initiating and implementing a change to the service, accurately demonstrates the benefits and costs involved, and communicates an honest and persuasive message
<b>Cost</b>	Any expense incurred by the organisation in the delivery of the service
<b>Cost benefit analysis</b>	This is a tool used to decide whether to implement a change. This is done by comparing the benefits that arise from the change with the costs incurred to deliver the change
<b>Deadweight</b>	A measure of the amount of the change/benefit that would have been delivered had the service delivery not taken place. The “do nothing” scenario
<b>Discount rate</b>	The rate of an individual or organisation’s time preference. The receipt of a pound is often preferred today rather than tomorrow due to the uncertainty of receiving the pound in the future i.e. its value may have dropped. The discount rate enables its value today to be determined
<b>Displacement</b>	An assessment of how much the change/benefit caused by the delivery of the service has displaced other changes/benefits
<b>Drop-off</b>	An assessment of how much of the change/benefit decreases over time. Changes/benefits in the future are likely to diminish and be influenced by other factors
<b>Fixed costs</b>	A type of recurrent cost, these costs are a steady constant expense
<b>Intangible benefit</b>	A gain that is difficult to quantify and is better communicated qualitatively than quantitatively
<b>Measurable &amp; Cashable</b>	A gain that is measurable and for which a financial value can be attached
<b>Measurable &amp; non-cashable</b>	A gain that is measurable quantitatively but for which a financial value cannot be attached
<b>Net benefits</b>	Total benefits minus total costs
<b>Net present value</b>	The total value of discounted future cashflows over the appraisal period
<b>One-off costs</b>	Non-recurring costs that arise due to ongoing service delivery
<b>Ongoing/recurrent costs</b>	Recurring costs that continue for as long as the service is delivered
<b>Opportunity cost</b>	The cost of the opportunity forgone if the opportunity being considered is pursued
<b>Proxy</b>	A figure that can be used to represent the value of a non-valuable entity i.e. intangible benefits
<b>Sensitivity analysis</b>	An assessment of how the final figure is affected by changes in the assumptions/variables used in the calculation
<b>Set-up costs</b>	Costs incurred in the set up of the service
<b>Variable costs</b>	Costs which change through the delivery of the service as demand increases and diminishes

