

# New Economy Working Papers



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**Social Value:**  
**Understanding the wider value  
of public policy interventions**

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and Oliver Kempton**

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# New Economy Working Papers

New Economy Working Papers are designed both to produce robust pieces of analysis that stimulate the long-term sustainable economic growth of the Manchester city region and to act as a vehicle for economic development professionals to further their personal development. Papers are intended to invigorate intellectual and challenging debate on the key economic issues and ideas of the time. Overall responsibility for developing the Working Papers lies with an independent Editorial Board consisting of: Will Blandamer, Andrew Carter, Ed Cox, Mike Emmerich, Baron Frankal (Editor-in-Chief), Liz Goodger, Alan Harding, Cathy McDonagh (Editor), Neil McInroy, Tim Newns, Adrian Nolan, Rebecca Riley, Kram Sadiq and Martin Turner.

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## Abstract

When resources are tight, prioritisation of programmes of work generally occurs based on short term financial considerations. This is the current reality of the financial situation facing local government agencies across Greater Manchester (GM), and has led to concern around its effects on individuals, families and communities in need of support. However, if the wider intended outcomes delivered by government spending (such as improved mental health, less waste, improved perception of an area) can be better understood, then it should be possible to not only maximise the opportunities to reduce the costs of delivering services but also to ensure that the social value delivered by these programmes is increased or at least maintained at its current level.

This working paper documents and discusses research work being carried out in Greater Manchester to understand and identify if it is possible to robustly value social outcomes. The research has focussed on the ongoing Community Budget programmes across Greater Manchester. The paper presents a methodology for valuing social outcomes and suggests how such an approach can be used and taken forward by practitioners, commissioners, analysts and suppliers of programmes across Greater Manchester.

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# Executive Summary

With the restrictions on public sector finances over the last few years, understanding value for money has become far more prominent in the development of social policy. Budgets have reduced significantly and this has led to a greater interest in the way that approaches such as cost benefit analysis can feed into the commissioning process to enable the best decisions to be made as to where to allocate funding.

Across Greater Manchester, tools to implement these approaches have been developed and there is now a much greater awareness of the opportunity to save money in the medium term by focussing on the causes of dependency today. To date this modelling has focussed on this fiscal understanding. While this is the current priority, we believe that in order to get a complete picture of the impact of a programme, we also need to consider the social value delivered. This includes harder to value impacts such as increased health and wellbeing of individuals or improved community relationships.

There are a number of approaches available to calculating social value. However, there has been limited take up of the tools due to the resource intensive approach required. We have, through research with practitioners and commentators, explored whether a more generic approach to measuring social value could be used across Greater Manchester.

Key attributes of a good social value approach that were identified were:

- comparability across different programmes;
- a robust evidence base;
- replicability;
- independence; and
- straightforwardness – not requiring an excessive level of resources.

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A key challenge is how to strike the balance between a methodology which is practical to implement but also is robust enough to compare and contrast different approaches and the social value created.

In this paper we propose a methodology that meets these requirements, based broadly on Social Return on Investment (SROI). Rather than a bespoke Social Return on Investment process, it is based around a common outcomes framework, and we have developed standard metrics for monetising the outcomes achieved based on published research. A key advantage of the approach is that it can be integrated into the existing GM Cost Benefit Analysis (CBA) framework. This will enable analysts to provide fiscal, economic and social returns for their project all through the same modelling approach.

No approach to understanding value for money will provide perfect answers. This is especially the case for social value due to the infancy of its application. Undoubtedly, the methodology we propose will need to be refined as we learn more about the application of social value techniques through their increased use. However, we believe that this is a useful starting point which can be built upon as our understanding of social value improves.

From the research we have developed three key policy recommendations:

- We believe it is possible to produce robust social value calculations that will aid the decision making process, without incurring significant resources. Therefore analysts, commissioners practitioners and providers in Greater Manchester should consider social value created to enable the full picture of impact of a programme to be understood;
- In order to test and improve the approach we present here, social value calculations should be carried out on a number of the community budget pilots that are being tested across Greater Manchester. In order to facilitate this, we have aligned the methodology with the GM CBA framework, which is currently being used to understand the fiscal and economic value created by community budgets; and
- There is a need for increased awareness and skills to carry out this type of analysis for both commissioners and providers of services. Training programmes should continue to be developed and expanded to meet this need.

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**The analysis of social value is clearly ambitious. It challenges the user to focus on outcomes and it brings into consideration that which is typically considered intangible.**

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# Introduction

The landscape of public sector spending has changed dramatically in the last few years. Commissioners and providers have faced a series of simultaneous challenges including:

- substantially reduced public sector budgets. As a result of the financial downturn and the government's response to the budget deficit, local authority and other public sector agencies are contending with budget cuts of over 20%;
- a drive for localisation of spending decisions; and
- an increased interest in the role that the private and third sector can play in the delivery of services.

During the previous period of strong growth, commissioning decisions were relatively straightforward. In general, there were sufficient finances to fund a range of programmes either through mainstream budgets or via specific grants, especially in deprived areas. Qualitative evaluation of the performance of these programmes was often carried out after the project had finished, but this had limited impact on subsequent decision making. With the reductions in budgets, commissioners now have to make difficult decisions as to which programmes to maintain, and which to cut back or decommission to meet spending reduction targets. As a result, there is a greater desire across both central and local government to properly understand the impact and value for money of programmes.

One way of identifying value for money is Cost Benefit Analysis (CBA). Over the last 18 months a Cost Benefit Analysis methodology and framework for Greater Manchester has been developed to support three key objectives:

- to expand the use of evidence based practice in public policy. Increasing the proportion of expenditure spent on approaches which have been shown to be successful or where there is sufficient evidence base to confidently predict that they will be successful;
- to make cost effective decisions, and enable prioritisation of interventions to maximise value for money; and
- to gain a better understanding of where the costs and benefits of an intervention fall. In many cases, one agency pays for an intervention, but the benefits are gained by another organisation.

Alongside the CBA analysis and methodology, new models of delivery of public services are being developed. The premise behind the new approaches being implemented in Greater Manchester is to focus on early intervention and prevention to reduce individuals' and families' dependency on the state. It is hoped that by doing this the high levels of reactive spend by government agencies can be cut significantly in the medium term. The 2009 Total Place study<sup>1</sup> identified that approximately £20bn of public money is spent on the residents of Greater Manchester. It has been estimated that over half of this is related to reactive spend (e.g. benefits payments, treatment for ill health, crime).

The Greater Manchester CBA methodology considers a number of different social issues that if resolved would result in a reduction in this reactive public sector spend. These include employment, mental health, crime and antisocial behaviour, looked after children, substance abuse and housing problems. The methodology has been developed in conjunction with central government analysts across ten government departments and is documented in the Greater Manchester CBA technical specification document<sup>2</sup>.

For each outcome in the model, the benefits are classified in three ways:

- fiscal benefits – savings to the taxpayer that are due to a specific intervention, for instance, reduced health service, police or education costs;
- economic benefits – gains which accrue to individuals – for instance, increased earnings – or the whole economy – for instance, increased Gross Value Added (GVA) due to more people being employed or higher skills levels; and
- social benefits – gains which accrue to society – for instance improved health and wellbeing or increased community cohesion.

Table 1 gives three examples of how benefits of interventions are apportioned to each benefit type.

**Table 1: Examples of different benefit types**

Example	Fiscal Benefits	Economic Benefits	Social Benefits
Employment mentoring for individuals with mental health problems	Reduction in Incapacity Benefit payments as individuals gain employment	Increased income of individuals gaining employment	Improved confidence, self esteem and reduced isolation of individual
Initiative to tackle Anti Social Behaviour on a problem estate	Reduction in police, housing and local authority time spent responding to incidents	Increased patronage of local businesses	Reduced fear of crime of residents
Drug treatment programme	Savings in reactive health costs – A&E attendance, long term health costs	Reduced outgoings spent on drugs	Improved health and life expectancy of individual

As part of developing the Greater Manchester CBA framework, a key task is to gain a detailed understanding of each of these types of benefit for each outcome being considered. This is no small task and a decision was made to prioritise the types of benefits. When developing the framework, the first priority was fiscal benefits, followed by economic benefits and finally social benefits.

This order of focus was due to the urgent need to be able to realise significant cashable savings from the new ways of working, but also because the fiscal benefits are inherently easier to monetise than social benefits. For example, if a person enters employment, it is more straightforward to estimate a monetary value for the fiscal savings of not having to pay Job Seekers Allowance, than to estimate the worth of social outcomes such as the increased wellbeing that results from the increase in security, self worth and sense of purpose that a job brings.

Now that partners in GM have established a robust framework for fiscal and economic benefits, they are exploring the incorporation of social benefits.

This working paper documents and discusses research commissioned by New Economy on behalf of the Association of Greater Manchester Authorities (AGMA) to understand and identify if it is possible to robustly value social outcomes. The research focuses on the ongoing Community Budget programmes across Greater Manchester. The new partnership approaches developed through the Community Budget pilot are designed to ensure the best possible value for public spending, and are focussing on four themes that reflect the priorities of the Greater Manchester Strategy<sup>3</sup>: ‘under-fives’; ‘troubled families’; ‘transforming justice’; and ‘health and social care’.

The working paper tests if, and how, social outcomes can be valued and how such an approach can be used and taken forward by practitioners, commissioners, analysts and suppliers of programmes across Greater Manchester.

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### Why should we be interested in Social Value?

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Social value is a collective term for acknowledging the value of all outcomes (not just economic or fiscal) in evaluation and decision making. Current discourse around the subject is split between consideration of a series of overlapping approaches that aid the user to construct models that describe and separate out ‘social’ outcomes of a particular activity, and a much broader consideration of core values and benefit to society overall.

The importance of measuring social value is increasingly recognised. Guidance on value for money in the Treasury Green Book states that *‘Wider social and environmental costs and benefits for which there is no market price also need to be brought into any assessment. They will often be more difficult to assess but are often important and should not be ignored simply because they cannot easily be costed.’*<sup>4</sup>

Furthermore, in the current context of public spending cuts, where the mantra is doing ‘more for less’ there is even greater focus on effectiveness and efficiency; a context in which value for money measurement is key and social value techniques have an obvious role. More broadly there is a desire within government for large scale change in the way spending decisions are made. The current sentiment is to move towards a clearer articulation of objectives with an emphasis on evaluating against the things that matter most to people.

So if government is interested in the concept because of its ability to inform a more ‘genuine’ picture of impact relating to expenditure, why might other sectors have an interest in social value?

It depends on who those 'others' are. If it is the general public then social value should be of interest because it represents an approach through which those with power can be held to account for the impact they have on society. This assumes, of course, that there is independence in the way social value is accounted for and that the public understand this to be the case. If we examine the evolution of environmentalism, it was not until economists were able to value the environment and compare it to the costs of protecting it, that governments were motivated to a lesser and greater extent to act on tackling green house gas emissions. This of course did not occur in isolation of public opinion.<sup>5</sup>

To private business, social value represents a way of showing the impact of goods and services or their strategic decisions on society. Examples include the use of social value in presenting Corporate Social Responsibility. More fundamentally it is being used to examine and align core values (among business, customers and government) to ensure sustainability in a market place where demand is beginning to focus more on enterprise that creates benefit for society. The fair trade movement provides a notable example where *'being good is good business'*.

For others, often with an interest in inequality, wellbeing and social justice, there is the belief that *'what we measure affects what we do'*, and so social value plays an obvious role in driving policy making that looks beyond a single focus of economic growth. For many, Gross Domestic Product (GDP) is too narrow an indicator when it comes to framing social cohesion and sustainability policies.<sup>6</sup> While GDP has been shown to overlap over time with the development of living standards, this correlation is based on the assumption that all in society benefit from increased economic production. For developed countries this once axiomatic assumption has been shown to be out of date and over-simplistic. Research indicates that further economic growth is not, on its

own, likely to deliver substantial increases in quality of life and wellbeing.<sup>7</sup> Logically then, if the priorities and policy goals in society need to change then the way we measure progress against this also needs to change.

Furthermore, the government has outlined the need to make sure there are practical steps to ensure that what it does is properly focused on quality of life as well as economic growth. In response, the Office for National Statistics has started to measure subjective well-being among the UK population alongside more traditional indicators such as employment and household situation. Announcing the change, the Prime Minister outlined the importance of non-financial measures of success:

*'When a country is hit by an earthquake that can increase GDP, because of the extra spending on reconstruction. When a city is torn apart by crime and disorder, that actually increases GDP, because we spend money on locks, and more people get employed in security. When someone falls seriously ill, that can increase GDP, because of the cost of buying the drugs and paying for care... So, destruction, crime, disease – in a very crude way all these things can amount to progress in terms of GDP... You've got to take practical steps to make sure government is properly focused on our quality of life as well as economic growth.'*

David Cameron, 25 November 2010

The Public Services (Social Value) Bill that received Royal Assent on 8 March 2012 aims to drive 'social value' in commissioning; or, in the wording of the bill, it requires 'public authorities to have regard to economic, social and environmental well-being in connection with public services contracts; and for connected purposes'. A similar clause has been proposed within the Scottish National Party's Sustainable Procurement Bill.

The Public Services (Social Value) Bill also includes a duty to ‘consider’ consultation with affected stakeholders in the design of services. Councils will be required to evaluate the overall value that they and the communities they serve will receive from a good or service, as part of their decision making process. The concept of social value and the tools created to assess it are integral to this.

For the third sector, social value has received significant attention because it provides an opportunity for measuring outcomes in a format that funders and commissioners are thought to understand. Furthermore, because government is looking to outsource considerably more service delivery to the third sector than it has in the past, there will be increased pressure to provide evidence of impact and value for money. However, research has found that a significant gap exists between the aspirations of policy makers and the capacity of third sector organisations to measure and value social outcomes.<sup>8</sup> Research indicates that few funders or commissioners are as yet persuaded by the approaches to social value promoted by government.<sup>9</sup>

This sentiment is echoed in this research. Seemingly there is significantly more discussion of social value, than there is activity to measure it. Why, given the obvious role of social value, is there less than expected take up of it?

Firstly, it is because social value analysis is resource intensive. The commentators interviewed as part of this study were only able to point to a handful of published social value exercises that could be considered ‘full process’ analyses. Moreover, it is often the case that organisations are not ‘social value ready’, either because social value is considered too late in the process, requiring time consuming retrospective data collection and stakeholder engagement, or that monitoring and follow up procedures are not fit for purpose in the beginning. Typically this is linked to a general undervaluing of evaluation, an underestimation of the cost and/or a lack of funding.

As for conventional cost benefit analysis, estimates of social value are only as good as the data that is inputted. Practitioners interviewed as part of this research pointed to the often poor quality of data held by organisations they had encountered who were attempting to undertake analysis of social value. For academic researchers examining programme or policy wide social value, assembling outcomes data across projects is particularly problematic.<sup>10,11</sup>

Research also points to the significant variation in social value estimates for similar projects<sup>12</sup>. This makes prospective users question the value of investing time and resources in a study that is not comparable to others. Similar conclusions have been made by others who have pointed to the fragmentation of different competing approaches.<sup>13</sup> While this may indeed be holding back penetration of social value analysis as a mainstream pursuit, it is not the main barrier.

The final reason for lower than expected take up of social value analysis, especially within the third sector, is that until relatively recently it had been considered predominantly from a top down perspective. Less thought has been given as to how provider organisations, which have historically focussed on delivering maximum impact, often with little resources, as opposed to measuring it, are to report on social value. More recently organisations such as the SROI Network have created practical support tools<sup>14</sup>, but the cost implications of SROI and other similar evaluation types are often cited as one of the biggest barriers to implementation.<sup>15</sup>

In summary, the level of interest across the full range of stakeholders in social value confirms the need to include it in the decision making process.

**We therefore recommend that analysts, commissioners, practitioners and providers in Greater Manchester should consider social value created to enable the full picture of impact of a programme to be understood.** We now explore how it complements existing approaches to understanding value for money.

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#### **How could understanding Social Value complement other decision support tools such as Cost Benefit Analysis?**

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Whilst in the short term, most commissioning decisions are going to be led by fiscal savings, we believe that there is a need to better understand the social value of the interventions in order to strengthen decision making, especially in the following situations:

- When making decisions about public sector spend that is not solely linked to reducing dependency and the resultant future reactive spend. With the reductions in agency budgets this remaining expenditure will need careful prioritisation to make sure it does provide the best social outcomes.
- To help decision makers choose between two or more different approaches with similar fiscal benefit to cost ratios.
- To help to engage partners who are not themselves that interested in the fiscal savings aspect of the work. For example, volunteer workers, interest groups and third sector partners.

It is thought that a better understanding of the social value of a scheme will also be of interest to front line staff who are delivering services. By illustrating the social value of their work, we hope that this can help identify areas for improvement and result in an even better service. This greater engagement will not only bear results in increasing social value, it will also maximise the fiscal savings that are achievable through delivering the interventions.

The reasons outlined above were recognised by New Economy, which decided to try and strengthen the existing Greater Manchester CBA framework by building a stronger approach to measuring social value.

This working paper draws upon research carried out to explore the role of social value and whether or not a methodology could be developed that was both useful in helping decision making, but at the same time was not too onerous or expensive for practitioners, commissioners, analysts and suppliers of programmes across Greater Manchester to carry out.

There are a number of approaches to social value and these provide a starting point for this research. The following section explores the evolution of social value and its current application.

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**Analysts,  
commissioners,  
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# **Background and literature review**

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## How can we define Social Value?

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Social value analysis (of whatever form) originated from a desire to account for the creation of value that was traditionally not captured through existing conventional cost-benefit analysis techniques. Typically it can be defined as the ‘extra-financial’ value (i.e. environmental and social value not reflected in conventional financial accounts). As a concept it is similar to ‘externalities’ in economics. In essence it is a collective term for acknowledging the value of social outcomes in decision making (typically resource allocation).

Today social value is often used to refer to two different things:

- The impact on people (individuals or groups). This might be financial or economic impact, but is often health or well-being impact
- Economic or fiscal benefits, primarily for the government that arise as a result of social change

Social Finance and Social Impact Bonds are primarily concerned with the latter, whereas tools such as Social Accounting and Social Return on Investment (SROI) look to analyse both.

The application of social value is currently structured around a series of overlapping approaches such as social cost-benefit analysis, Social Accounting and Audit, and Social Return on Investment. These aid the user to construct a model describing and separating social outcomes that arise from a particular activity so that their impact on stakeholders (individuals,

community, and society) can be estimated. Depending on the method used these social outcomes can then be valued using financial proxies. Social Return on Investment (SROI) then leads to the calculation of an investment return ratio, such that social value can be described per unit of investment.<sup>16</sup>

The analysis of social value is clearly ambitious. It challenges the user to focus on outcomes as opposed to outputs, but moreover it brings into consideration that which is typically considered intangible. This can be outlined as such; if a training programme aims to get people into jobs then completion of the training is the output, getting a job might be seen as the outcome. However this can be taken further by identifying the economic and social implications of this movement into employment. In evaluating the example training programme a practitioner would of course measure the number of trainees that went on to obtain a job, and possibly the average increase in income for those trainees, but what of the impact of this on their self-esteem, confidence or quality of life? It is here that the major challenge and role of social value analysis arises.

The ability to quantify and then value these “intangible” benefits is therefore key to SROI’s success and is what sets the method apart from conventional cost-benefit analyses. It also gives rise to a number of challenges however, as measuring and valuing social outcomes with enough confidence to inform decision making is difficult or, some people would argue, impossible.

Another key difference between traditional economic cost-benefit analysis and SROI is the latter’s intended involvement of stakeholders in identifying the benefits that are to be measured. This is an important element and assures that what is measured reflects what matters to stakeholders. SROI advocates stakeholder engagement in the development of ‘theory of change’ and in measurement in subsequent stages.

The overall ambition of any social valuation technique is to provide a consistent approach for measuring social value whilst staying sufficiently flexible to be used by third sector organisations, funders and commissioners alike.

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**How does Social Value relate to economic theories of increasing prosperity through growth (e.g. agglomeration)?**

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Some in public policy making argue that focussing on growth is the best way of increasing the prosperity and thereby wellbeing and social value of Greater Manchester. This argument is based on the premise that through increasing the economic performance of an area, there are greater opportunities for employment. It can be shown that employment is one of the key drivers to wellbeing – it has been linked to improved health (especially mental health), reduced levels of crime, and strengthened communities.<sup>17</sup> Therefore, by focussing on the implementation of policy measures that maximise this growth, social value will also be maximised. These measures could include improving trade links to other countries, improving the availability of finance to small and medium enterprises, or building new infrastructure to enable a larger labour pool to access work opportunities and to increase the efficiency of businesses to business interactions.

This approach is undoubtedly worthwhile. Greater Manchester has the potential to be the second growth pole in the UK alongside London, due to its large functional economic area, and by focussing on the economics of agglomeration<sup>18</sup>, employment, productivity and prosperity can be increased significantly.

However, focussing on growth alone will not maximise the overall wellbeing of Greater Manchester. Analysis of the North West Mental Wellbeing Survey

2009<sup>19</sup> illustrates that there are many variables that influence wellbeing and life satisfaction and many inter-connections between them. While employment and economic status are important drivers, interventions and policies should also consider a wider range of influences. Research examining this concludes that when working with individuals and communities adopting a holistic approach is more beneficial than focusing on one factor in isolation<sup>20</sup>.

This need for a wider approach was also identified in the Manchester Independent Economic Review<sup>21</sup>. Analysis carried out for the review showed that although average levels of unemployment fell significantly across Greater Manchester during the period 1992 to 2007 as a result of strong economic growth, worklessness levels in the most deprived neighbourhoods tended to see smaller improvements than the local authority in which they were situated<sup>22</sup>. One of the review's recommendations was that alongside the need to support businesses, it is also vital that the underlying problems of deprivation are tackled. These include a greater focus on early years (0-5 year old) development and resolving the underlying issues behind worklessness. The reasoning behind this is that many individuals will need support to overcome underlying problems, before they are able to benefit from the new job opportunities. Some examples of these problems are poor mental health, lack of confidence, substance dependency and low skills. The journey to 'work readiness' for these issues is often long. These proactive support programmes will take time to achieve results, and it is likely that a number of interventions will be required in sequence in order to achieve the long term result of employment. Therefore, when making decisions about these programmes, which do not necessarily have an immediate fiscal outcome, a social value methodology can be very useful to determine the distance travelled on this journey.

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### **What approaches have been used in the past to determine Social Value?**

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Disciplines such as Social Accounting and Audit have attempted to identify and quantify the social change created. More recently Social Return on Investment (SROI) has gone further by monetising this social change (rather than just any economic or fiscal change), and allowing the creation of a CBA framework that accounts for social, economic and environmental value. This allows a more explicit analysis of the trade-offs between different types of value (for example, is a social benefit worth the environmental impact that the intervention will create) and helps create a broader understanding of value for money.

The development of SROI in the UK has been driven by organisations such as the new economics foundation and the SROI Network, and has been funded by the UK Office for Civil Society and the Scottish Government (through the SROI Project).<sup>23</sup> It is increasingly used to measure value-for-money and is recommended by the National Audit Office.<sup>24</sup>

There has been a substantial expansion in the variety and quantity of SROI analysis over the past couple of years and increasing numbers of public, private and third sector organisations are drawing on the methodology. Meanwhile, an increasing number of commentators have begun mapping out how the methodology might be further developed and applied.<sup>25, 26, 27</sup>

There are a number of standard approaches to applying values to outcomes, and most financial proxies used to calculate social outcomes draw on these. The approaches are as follows:

1. Stated preference. This examines the willingness to pay (WTP) or willingness to accept compensation (WTA) in exchange for a good, a service or an outcome. It is applicable to a wide range of situations but is often expensive to conduct and can be vulnerable to research biases (for example respondents will often state that they would be willing to pay more than they actually do in practice).
2. Revealed preference. This examines the behaviour of individuals or groups and uses statistical techniques to draw conclusions about how they value goods and services. It is often more cost-effective, but assumes a perfect functioning of the market, and it can be difficult to isolate the values of specific outcomes.

More recently, economists have started to utilise life-satisfaction approaches. These draw on existing well-being data, and look at the impact of a wide range of variables including income on life satisfaction. By comparing the increase in income needed to keep life satisfaction constant when another variable is altered, the value of that variable can be derived.<sup>28</sup> The life satisfaction approach is new however and more exploration of the technique is needed.

**3**

# **Summary of research**

## The Greater Manchester community budget leads agreed the need to include a consideration of social impact in the decision making process around community budgets.

In order to meet this need, Our Life was commissioned by New Economy to deliver a programme of workshops with practitioners and community and voluntary organisations to explore the role of social value in developing the Greater Manchester Community Budget pilot projects, to identify a range of potential social outcomes that could be included in a common social value methodology and to test potential approaches to it.

Between November 2011 and January 2012 Our Life, with support from nef consulting, hosted three workshops with stakeholders involved in delivering the Community Budget pilots in Greater Manchester. Workshop attendees included officers from local authorities across Greater Manchester, members of the voluntary and community sector and health and housing professionals.

The first and second workshops were designed to engage stakeholders in the Cost Benefit Analysis process, develop understanding of social value and to map prospective community budget outcomes. The third workshop held in January 2012 was used to test the metrics developed by the authors in response to the outcomes mapped by stakeholders in workshops one and two and their views and opinions on current approaches to social value.

The following sections outline the key discussion themes and points for consideration taken from the three stakeholder workshops.

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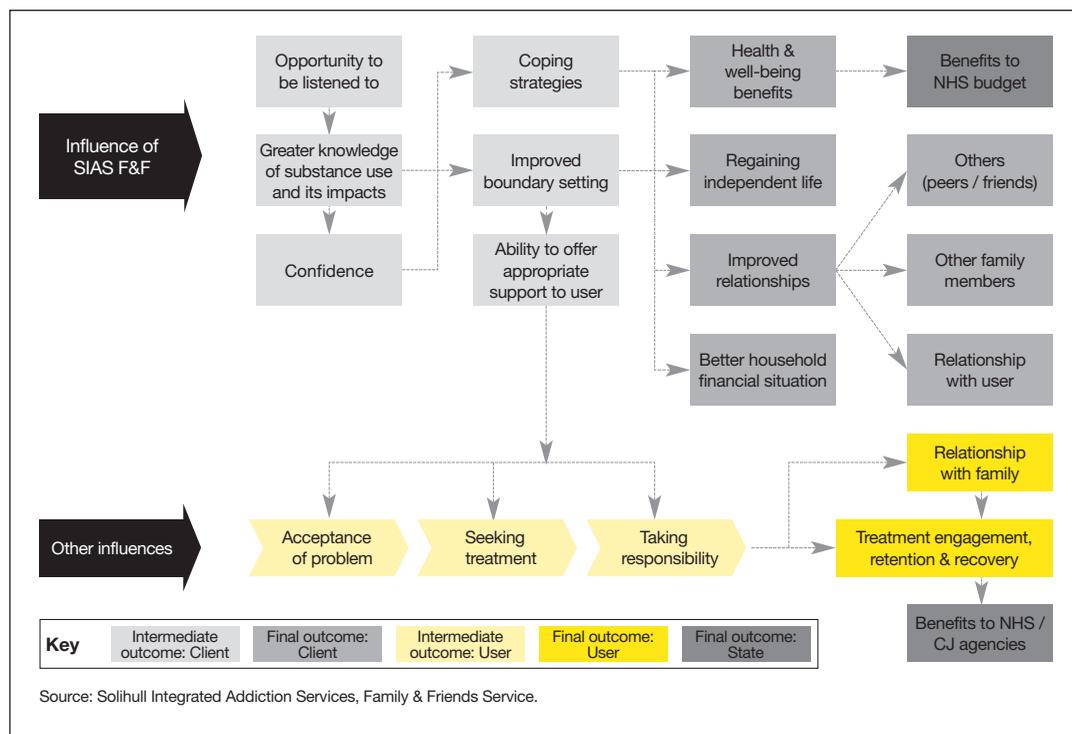
### Workshop 1 – Outcome Mapping

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In the first workshop participants were provided with a presentation on social value based on new economics foundation's explanation of Social Return on Investment (SROI). Participants were then asked to think about their experience of the work they were doing in relation to the Greater Manchester Community Budgets pilots and to map out any prospective 'social' outcomes using the current CBA outcomes as a guide.

To stimulate thinking, participants were taken through a series of steps explaining the development and role of theory of change models. Theory of change is a model that attempts to determine the outcomes that arise from an intervention, and the pre-requisites needed in order to achieve those outcomes. Figure 1 provides an example, taken from a study exploring integrated addiction services.

**Figure 1: Example theory of change model**



During discussion, participants identified a number of descriptors, which included outputs, intermediate outcomes and final outcomes. When carrying out social value analysis, it is only the final outcomes that are used.

The theory of change approach was found to be useful to determine which of the descriptors identified actually were final outcomes.

For example, improved access to services was repeatedly raised as an outcome. Participants then thought about what the reality of improved access to services might mean to people. It was identified that

improving access to services was just one step in the process of improving final outcomes such as health or employment and this drew the group to the consensus that this should be treated as an intermediate outcome.

Outcomes relating to increased equality and fairness were also raised. In thinking through how these outcomes might fit within a hypothetical theory of change model, participants deliberated on whether or not increased equality and fairness might be interim and transpire within other outcomes experienced by individuals or communities. The end result of greater equality and fairness might reveal as

**Table 2: Social outcomes summary**

<b>A summary of material social outcomes<sup>29</sup> relating to Greater Manchester Community budgets</b>	
<b>Individual</b>	<b>Family and community</b>
Increased self confidence	Improved citizenship
Increased self esteem	Sense of trust and belonging
Increased participation	Increased participation (e.g. voting)
Increased aspirations	Raised aspirations
Greater sense of control	Increased social interaction
Improved wellbeing	Increased community stability
Have learnt new skills	Improved family relationships
Reduced social isolation	Increased time families spend together
Reduced harm to children	Reduced fear of crime
Increased life expectancy	Increased access to statutory services
	Improved take up of leisure/recreational activity
	Increased equality
	Increased fairness

increased aspirations or a greater sense of trust and belonging, but they may also fall into other wellbeing related outcomes. It was agreed that further research is required to test the validity of increased equality and fairness as 'final' outcomes. Participants highlighted that this was important to avoid double counting.

Considering the theory of change also helped to reveal the importance of having clear definitions of outcomes. The concept of social cohesion was identified as an example in discussion of community budget related projects. Participants considered their own definitions for social cohesion, and whether this was captured elsewhere within the outcomes they had mapped and how they might be measured.

A summarised list of social outcomes mapped by participants in response to their work on the community budget pilot projects is outlined in Table 2. Many of the outcomes mapped by participants related to an individual or family's wellbeing.

Outcomes mapping was found to be a useful and rewarding exercise for participants. The process used in the workshop outlined the importance of 'theory of change' as an essential element of successful impact assessment.

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## Workshop 2 – Choosing Indicators

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Workshop 1 led to the discussion of a wide range of interventions which inevitably led to discussion of a wide range of social outcomes. The focus of Workshop 2 was to build on the social outcomes mapped in the first workshop and listed in Table 2 by outlining the potential ways of measuring and valuing them. Deliberation of these options provided the authors with a good platform for creating a proposed approach and draft social value framework. It was agreed that this would then be presented in Workshop 3.

A major theme from Workshop 1 was the degree to which social value analysis across community budget pilots would need to be comparable. This was explored further in Workshop 2 by presenting the concept of common outcomes frameworks.

### *Common Outcomes Frameworks*

The term common outcomes frameworks refers to outcome maps that are researched and designed to be applicable to a number of different projects or organisations within a certain field. Examples include the National Accounts of Wellbeing<sup>30</sup>, PSSRU's Adult Social Care Outcomes Toolkit (ASCOT)<sup>31</sup>, the Bridge Carer Support Outcome Profile<sup>32</sup> and a number of Outcome Stars created by Triangle Consulting<sup>33</sup>. They may not all be referred to as Common Outcomes Frameworks but they are all designed for use across a certain field or subject area.

Common outcomes frameworks are usually more thoroughly researched than would be possible for an individual project, and are often accompanied by researched and tested measurement tools.

However, on their own they will not usually articulate the process by which an individual project achieves the outcomes (the theory of change) and may lead to poor measurement if not approached critically. Ultimately common outcomes frameworks present a trade-off: they increase the comparability of an analysis with other similar analyses and might improve the data collection mechanisms, but this can come at the expense of individual project detail and a loss of some of the nuances of a project's theory of change.

Workshop participants recognised the trade off between the levels of comparability provided by a common outcomes framework based approach and the flexibility and detail that a bespoke Social Return on Investment (SROI) delivers. This was illustrated with a hypothetical scenario whereby a common outcomes framework might be able to provide valuation of 70% of the outcomes associated with a project but would enable comparison with other projects across those outcomes, whilst a bespoke SROI might provide valuation of 85% of outcomes but provide little comparison.

Participants, and the authors of this paper, discussed the difficulties in comparing SROI analysis for different projects and confirmed that comparability was more important, recognising that valuation is at best an estimate of the true value of a project's impact, and that there may be diminishing returns to exploring beyond a certain point.

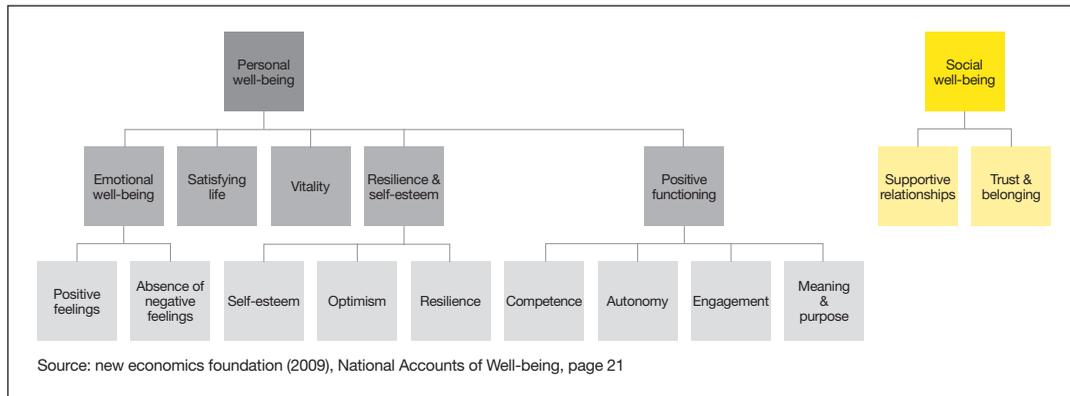
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The use of a common outcomes framework also has the benefit of reducing the resources needed to undertake a social value analysis. Because the core outcomes are fixed, and are consistently valued, there is no need to repeat the steps of definition and valuation of outcomes every time a social value calculation is undertaken. This increases the simplicity and reduces the costs, allowing more focus on other aspects of the analysis including measurement of the outcomes.

*Selection of an outcomes framework*

Many of the social outcomes proposed by workshop participants when thinking about their experience of the Greater Manchester community budget pilots were individual level well-being outcomes.

The well-being model developed by the new economics foundation's Centre for Wellbeing, in the National Accounts of Well-being<sup>34</sup> (figure 2 below) provides a useful framework for understanding outcomes relating to wellbeing.

**Figure 2: Structure of the National Accounts of Well-being framework**

The model shows three levels of well-being components. At the top, well-being is divided into personal and social well-being. Each of these is further divided into a number of well-being components, and personal well-being is further divided into sub-components.

The National Accounts of Well-being has a number of advantages as an outcomes framework. Firstly, its focus on overall well-being and the types of well-being makes it applicable to a wide range of programmes or interventions (unlike more specialist frameworks like ASCOT<sup>35</sup>). It has been developed by the Centre for Well-being at the new economics foundation, who are at the forefront of well-being research and measurement, and draws on data from the European Social Survey<sup>36</sup> comprising of 45,000 interviews across 22 European Countries.

Participants were positive about the use of the *National Accounts of Wellbeing* as an example framework because it was based on a body of scrutinised evidence. This was seen as a strong approach to making wellbeing related factors more tangible.

#### *Turning outcomes into indicators*

From the discussion in Workshop 2 and confirmation that a common outcomes framework would represent a positive impact on stakeholders ability to apply social value analysis, a CBA based social outcomes framework was created. Outcomes related to wellbeing were based on the *National Accounts of Wellbeing*. For other outcomes, which relate to the reduction of specific problems, individual descriptions were developed. Table 3 outlines the type of outcome, the individual outcome or proposed benefit and a description of how the outcome might be measured or described.

**Table 3: CBA social outcomes<sup>1</sup>**

Outcome Type	Outcomes / Benefits	Description
Improved well-being of individuals	Increased confidence / self-esteem	Drawn from the national accounts of well-being model (where it is described as <i>resilience and self-esteem</i> )
	Reduced isolation	Drawn from the national accounts of well-being model (where it is described as <i>supportive relationships</i> )
	Positive functioning	Drawn from the national accounts of well-being model. This includes features such as <i>autonomy and meaning and purpose</i>
	Emotional well-being	Drawn from the national accounts of well-being model
Improved health / well-being of individuals brought about by reduction of specific problems	Reduced social impact of domestic violence	The human and emotional impact of domestic violence on the victim
	Reduced social impact of anti-social behaviour	The human and emotional impact of anti-social behaviour on the victim
	Reduced social impact of crime	The human and emotional impact of crime on the victim
	Reduced health impact of alcohol	The health impact of alcohol abuse
	Reduced health impact of drugs	The health impact of drug abuse
	Reduced health impact of poor housing	The health impact of poor quality housing
Improved family-well-being	Improved family relationships	Drawn from the national accounts of well-being model (where it is described as <i>supportive relationships</i> )
	Positive functioning	Drawn from the national accounts of well-being model. This includes features such as <i>autonomy and meaning and purpose</i>
	Emotional well-being	Drawn from the national accounts of well-being model
Improved children's well-being	Confidence / self-esteem	Drawn from the national accounts of well-being model (where it is described as <i>resilience and self-esteem</i> )
	Reduced harm to children	The human and emotional impact of domestic violence on the child
Improved community well-being	Sense of trust & belonging	Drawn from the national accounts of well-being model
	Positive functioning	Drawn from the national accounts of well-being model. This includes features such as <i>autonomy and meaning and purpose</i>
	Improved relationships	Drawn from the national accounts of well-being model (where it is described as <i>supportive relationships</i> )

<sup>1</sup> It is important to note that the outcomes presented here are provided as core outcomes which are likely to be applicable to most projects. It is not suggested as a full list inclusive of all social outcomes relating to Community Budget pilot projects.

Presentation of the social outcomes framework (Table 3) created a series of discussion points with workshop participants:

- In order to create a manageable framework, we have focussed on outcomes at an individual, family or community level. A number of initiatives around troubled families were also felt to have a strong impact on near neighbours, i.e. wider than the family unit, but at a smaller geography than the entire community. There are a number of ways to account for this. In the short term it may be possible to measure the wellbeing of these near neighbours and include them as individuals whose wellbeing will change. In the longer term it may be useful to develop specific outcome measures specifically related to these near neighbours.
- Long term impacts were also discussed. These included intermediate outcomes such as school attendance which participants felt were very important to the life chances of children, and the intergenerational impacts of parental employment on the long term wellbeing of children. It would be possible to value these impacts by using the outcomes framework above if robust relationships can be found to relate the change in these intermediate outcomes now and social value in the future. The role of research here is vital, and studies need to be undertaken that measure indicators (that might also be outcomes themselves) consistently and over a long period of time to develop a credible evidence base. In the interim, it was agreed that the focus for the framework should be for shorter term outcomes.

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### Workshop 3 - Monetisation of Social Outcomes

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Building on the outcomes framework developed in Workshop 2, in the third workshop participants began to explore potential approaches to monetisation. Participants were presented with the different valuation procedures (life satisfaction, stated preference and revealed preference) outlined in section 2.

While the participants were happy with measuring outcomes and the outcomes framework that had been developed, they were more uneasy about the process of assigning a monetary value to health and wellbeing. Participants suggested that the precise nature of the monetisation process may hide the subjective nature of the way in which social outcomes are valued. This led to discussion of the dangers of reducing services to purely mathematical decision making. Further deliberation pointed to the current context of service reform and that decisions were indeed being made in this way, but without possession of the full information.

Social value analysis was seen as a means of bringing more evidence of the benefits of different social programmes as opposed to confirming a fiscally based decision. In essence, without monetisation of the social outcomes associated with a service, the additional benefits perceived by stakeholders of delivering that service would be unaccounted for. This raised an important question - does the benefit of putting a monetary value on the social outcomes of a particular role or service and therefore getting a more holistic sense of its worth outweigh the dangers of inaccuracies associated with doing so and the negative ways in which this might be used?

Participants, and the authors of this paper, joined in agreement around the former as opposed to the later, voicing the importance of ensuring important social outcomes were given a value.

- The main discussion point to stem from the presentation of the proposed monetisation process was the ability to capture all of the elements that might ensue from a project or intervention. Participants were caught in a dilemma between concern that the monetisation was ‘too simplistic’ and making it too complex by pulling in a range of options for each outcome.

The favoured approach was to take one monetisation approach for the well-being outcomes drawn from the *National Accounts of Well-being* framework, and to draw on other sources for the other more specific health and well-being benefits.

### *Valuing wellbeing*

Measurement of subjective well-being is a relatively new discipline, and there have been relatively few attempts to value well-being. However, equating well-being with mental health allows us to use healthcare economics to monetise well-being. The Centre for Mental Health has attempted to put a cost on mental illness through the use of QALYs (Quality Adjusted Life Years)<sup>37,38</sup>. Their report looks at the average loss of health status in QALYs from a level 3 mental health problem, i.e. severe problem, (0.352 QALYs) and values this by using the NICE (National Institute for Health and Clinical Excellence) cost effectiveness threshold of £30,000 per QALY. Equating well-being with mental health therefore allows a valuation of overall well-being of  $0.352 \times £30,000 = £10,560$  per year.

Using mental health as a proxy for well-being may not be the most accurate way of determining the true value of well-being. In the longer term, further research may allow a more direct valuation of well-being, but in the interim, it is felt that this approach is the most appropriate method available.

**Table 4: Division of Well-being value**

Well-being domain		Proportion of overall value	Financial value
Personal well-being	Confidence / self-esteem <sup>39</sup>	10%	£1,056
	Positive functioning	10%	£1,056
	Emotional well-being	10%	£1,056
	Vitality ( <i>not used in this model</i> )	10%	£1,056
	Satisfying life ( <i>not used in this model</i> )	10%	£1,056
Social well-being	Improved / supportive relationships, or reduced isolation	25%	£2,640
	Trust and belonging	25%	£2,640

The overall valuation of well-being can be divided between different domains of well-being as shown in Table 4.

In this model, the overall value of well-being is divided evenly into personal and social well-being, with personal well-being and social well-being each taking 50% of the value. Personal well-being is then divided evenly between the five components of personal well-being, giving each 10% of the total value, while social well-being is divided evenly between the two components of social well-being. This relies on the assumptions that personal and social well-being are of equal value, that the components of personal well-being are of equal value, and that the components of social well-being are of equal value.

Future research might look at this distribution and recommend an alternative. However, while this model is currently reliant on these assumptions, the practical implications of the split are tempered by the notion that the domains are strongly connected; it is unlikely that one domain would be impacted upon without impacting on the others. This is a hypothesis that would no doubt be tested through application of the approach.

#### *Proposed monetisation framework*

Other, non-wellbeing related, outcomes have been monetised through a variety of methods. Table 5 below presents the methodology for monetisation of all social outcomes in the proposed approach.

**Table 5: Financial values**

Outcome type	Outcomes / benefits	Description	Value	Source
Improved well-being of individuals	Increased confidence / self-esteem	See tables 3 and 4	£1,056/annum	Well-being valuation model
	Reduced isolation		£2,640/annum	Well-being valuation model
	Positive functioning		£1,056/annum	Well-being valuation model
	Emotional well-being		£1,056/annum	Well-being valuation model
Improved health / well-being of individuals brought about by reduction of specific problems	Reduced social impact of domestic violence	The costs of human and emotional impact of domestic violence. Costs range from £240 for threats or "common assault" such as pushing, holding or slapping, to over £750,000 for domestic homicide. The chosen cost is a midpoint and represents kicking, or hitting with fist.	£7,640/ incident	Professor Sylvia Walby, University of Leeds:  <i>The Cost of Domestic Violence, September 2004. See table 11.1</i>
	Reduced social impact of anti-social behaviour	The physical and emotional impact on direct victims of a wide variety of crimes has been calculated. The lowest impact is for 'theft – not vehicle', and this has been selected to represent the social impact of anti-social behaviour.	£118/incident	Home Office Online Report 30/05: <i>The economic and social costs of crime against individuals and households 2003/04</i>
	Reduced social impact of crime	The social impact of crime is calculated by combining Physical and Emotional Impact on Direct Victims of different types of crime.	£1,480/incident	Home Office Online Report 30/05: <i>The economic and social costs of crime against individuals and households 2003/04</i>
	Reduced health impact of alcohol	There are a range of studies looking at the impact of alcohol interventions. One analysis of brief interventions delivered in GP surgeries found that they led to an additional 0.0233 QALYs (Quality Adjusted Life Years) per person. A value of £30,000 per QALY is used in this analysis.	£699/annum	Liverpool Public Health Observatory: <i>Prevention Programmes</i>  <i>Cost-Effectiveness Review: Alcohol</i>
	Reduced health impact of drugs	The Drugs Treatment Outcomes Research Study suggests that drug treatment leads to 0.05 extra QALYs compared to no drug treatment. A value of £30,000 per QALY is used in this analysis.	£1,500/annum	The Drug Treatment Outcomes Research study (DTORS):  <i>Cost-effectiveness analysis. (See table 12)</i>

**Table 5: Financial values (cont)**

Outcome type	Outcomes / benefits	Description	Value	Source
	Reduced health impact of poor housing	<p>A recent (Feb 2010) study found that 4.8 million homes in England (22%) have what are called category 1 hazards arising from defects as assessed using the Housing Health and Safety Rating System.</p> <p>The cost of these housing hazards was £1.5bn per year, including costs to the NHS (£600m) and to the individual and to society through loss of earnings associated with the health impacts of these hazards. The cost per household (excluding costs to the NHS) is £187.50. This represents the value of avoiding treatment for ill health, and lost earnings.</p>	£187.50/annum	M Davidson, M Roys, S Nicol, D Ormandy and P Ambrose, BRE: <i>The Real Cost of Poor Housing</i>
Improved family-well-being	Improved family relationships	See tables 3 and 4	£2,640/annum	Well-being valuation model
	Positive functioning		£1,056/annum	Well-being valuation model
	Emotional well-being		£1,056/annum	Well-being valuation model
Improved children's well-being	Confidence / self-esteem	See tables 3 and 4	£1,056/annum	Well-being valuation model
	Reduced harm to children	The costs of human and emotional impact of domestic violence. Costs range from £240 for threats or "common assault" such as pushing, holding or slapping, to over £750,000 for domestic homicide. The chosen cost is a midpoint and represents kicking, or hitting with first.	£7,640/incident	Professor Sylvia Walby, University of Leeds:  <i>The Cost of Domestic Violence, September 2004. See table 11.1</i>
Improved community well-being	Sense of trust & belonging	See tables 3 and 4	£2,640/annum	Well-being valuation model
	Positive functioning		£1,056/annum	Well-being valuation model
	Improved relationships		£2,640/annum	Well-being valuation model

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### Is this the most appropriate approach for Greater Manchester?

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Social value has the potential to be a powerful concept in understanding how complex investment models for service delivery like Community Budgets have impact on the groups they are intending to help. The techniques for valuing social impact are in their infancy, but both government and local organisations, including the participants attending the research workshop sessions, outlined the importance of being able to 'put a value on' these 'softer' outcomes, so that they can be considered alongside the fiscal savings or economic benefits that are delivered by public sector programmes.

Due to the intangible nature of these types of outcomes, there will never be a completely accurate way to value social impact. As a result there was a lot of debate during the workshops as to how to strike the balance between a methodology which is practical to implement, but also is robust enough to develop benchmarks and to compare and contrast different approaches and the social value created.

The approach outlined above is our attempt to achieve this balance. Undoubtedly, this will need to be refined as analysts learn more about the application of social value techniques through their increased use. However, we believe that this is a useful starting point which can be straightforwardly built upon as our understanding of social value improves.

In particular, as we have developed the approach, we have taken account of the key attributes of a successful social value methodology identified by workshop participants and other commentators interviewed for the project. They told us that a successful approach is one:

- that is independent;
- that uses robust, replicable data;
- that follows a rigorous replicable process;
- where stakeholders play an important role in 'measuring what matters';
- that uses agreed financial proxies that are backed up by strong evidence;
- that makes an assessment of the quality of valuation proxies and provides notes on their limitations;
- that is comparable with other interventions with similar outcomes;
- that is flexible enough to acknowledge and account for 'unintentional' or additional outcomes;
- that can be linked into work being undertaken at a national level on major infrastructure projects; and
- that can be triangulated with other forms of evaluation that may utilise methods that are more qualitative in nature.

In order to meet these criteria and streamline the approach with other activity already ongoing in Greater Manchester, **we recommend using the social value approach as part of the wider GM Cost Benefit Analysis framework.**

This methodology is outlined in the next section.

4

**Proposed  
methodology  
chosen for  
Greater  
Manchester**

The outputs from the workshops and the subsequent analysis provide Greater Manchester with an approach to use for monetising a range of core outcomes and calculating social value. However, to make these useful to local partnerships, it is necessary to provide an overall framework for practitioners and analysts to measure changes in outcomes and calculate the value for money of their intervention.

The GM CBA methodology has been developed as one such framework and is being used by partnerships across Greater Manchester, and we therefore feel it is an appropriate framework to build on. The tools are being further embedded through awareness and training sessions and are available to anyone working in the public sector. The social outcomes developed as part of this work have now been added to this existing framework. This will enable analysts to combine the analysis and provide fiscal, economic and social returns for their project all through the same modelling approach.

Examples of the tool and the spreadsheet can be found on the New Economy website<sup>40</sup>.

The tool is designed for use at a number of stages of a project.

- At the pre-delivery stage CBA can inform ex-ante appraisals of what return on investment a proposal may be expected to deliver. Commissioners can use the analysis to better understand the value that can be created by different approaches, and can compare alternative proposals in order to deliver the greatest fiscal, economic or social outcomes.
- During the delivery stage regular CBA, based on up-to-date project management data, can tell us whether a project is achieving, or is likely to achieve, its forecast return on investment. If a project is found to be failing to meet expectations, project managers can redesign delivery or, in some cases, stop delivery and reallocate funds to better performing projects.
- Post-delivery CBA is one way of judging whether a project has been worthwhile undertaking. Ex-post CBA provides lessons for commissioners. It also gives us information with which to update and improve the assumptions that are used in ex-ante appraisals of future projects.

It is recommended that CBA is used as early as possible in a project. By carrying out the analysis at the pre-delivery stage, a full understanding of the data that is required to complete the analysis can be determined, and this can inform the monitoring arrangements for the project. This will ensure that the right information is being recorded to feed into the analysis, and also minimise the time spent collecting data which is not needed.

The detailed methodology is too large to include in this working paper. This section outlines the approaches needed and the important aspects to take into account. We concentrate here on the social outcomes of a project, but these steps are identical for calculating fiscal or economic value for money.

The suggested methodology follows the following steps:

1. Outcome mapping
2. Definition of the cohort
3. Measurement of outcomes and calculation of impact
4. Assessment of additionality
5. Assessment of data quality and application of optimism bias correction
6. Ramp up and drop off
7. Summation of outcomes
8. Presentation of results

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### Step 1 – Outcome mapping

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When calculating the benefits of any programme, the first activity is to determine which outcomes are relevant to the intervention being modelled. Not all social outcomes will be relevant, and therefore it is useful to prioritise which information is needed in order to minimise the data collection effort required.

This is a key opportunity to engage with a broad range of stakeholders to understand which outcomes they value. It is often of use to the stakeholders themselves, especially commissioners and front line staff as they can then crystallise their objectives for the project.

The common outcomes framework provides a core menu for choosing relevant outcomes. However, there may be other outcomes that are important to the stakeholders, and even if these cannot be monetised and included in the analysis it may be important to include them in any wider evaluation.

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### Step 2 – Definition of the cohort

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In order to carry out the analysis, it is important to have a clear understanding of the boundaries of the programme, especially regarding the cohort receiving the interventions. This could be at a number of different scales, e.g. a group of individuals, a housing estate or the whole population of Greater Manchester. It is likely that the types of programmes which are modelled using this approach will have relatively small cohorts.

Not all outcomes measures will apply to the entire cohort, so an assessment then needs to be carried out to identify for each outcome, the number of individuals who are targeted by the programme. For example, only a proportion of the cohort may not be in employment, or have a drug dependency problem.

The third factor to consider when understanding the cohort is the level of engagement of individuals with the programme. In many cases, individuals will disengage from a programme and not continue involvement. It is therefore necessary to account for this drop out as although costs will be incurred, it is unlikely that their outcomes will change.

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### Step 3 – Measurement of outcomes and calculation of impact

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Measurement of social outcomes can often be more complicated than measuring fiscal outcomes. An individual either receives Job Seekers Allowance or not, and this is relatively easy to track over time. For the purposes of this CBA model, some of the social outcomes can be measured in the same way; for example, if the number of people entering alcohol treatment is measured, the monetary value above effectively makes a prediction as to their level of recovery and the corresponding health benefits.

However, credibly predicting the change in well-being outcomes such as self-esteem through the change in employment status is much more difficult. To measure these social outcomes rigorously, it is necessary to use distance travelled measures to assess the extent to which someone's self-esteem (for example) has increased. This model does not dictate exactly which outcome measures should be used, but some

examples of pre-existing tools are given in the following section. The essential features of such tools are that they measure the outcome on a scale, and that they can be used for multiple readings. Movement on these scales can then be inputted into the model.

The different measurement approaches needed for each outcome are in Table 6.

**Table 6: Measurement approaches**

Outcome	Benefits	Description
Improved well-being of individuals	Increased confidence / self-esteem	Distance travelled well-being measurement
	Reduced isolation	Distance travelled well-being measurement
	Positive functioning	Distance travelled well-being measurement
	Emotional well-being	Distance travelled well-being measurement
Improved health / well-being of individuals brought about by reduced domestic violence / ASB / crime / alcohol / drugs / poor housing	Reduced social impact of domestic violence	Reduced incidents of domestic violence
	Reduced social impact of anti-social behaviour	Reduced number of anti-social behaviour incidents
	Reduced social impact of crime	Reduced levels of recorded crime
	Reduced health impact of alcohol	Numbers entering recovery
	Reduced health impact of drugs	Numbers entering recovery
	Reduced health impact of poor housing	Reduced housing evictions
Improved family-well-being	Improved family relationships	Distance travelled well-being measurement
	Positive functioning	Distance travelled well-being measurement
	Emotional well-being	Distance travelled well-being measurement
Improved children's well-being	Confidence / self-esteem	Reduced numbers of children in care
	Reduced harm to children	Reduced incidences of child abuse
Improved community well-being	Sense of trust & belonging	Distance travelled well-being measurement
	Positive functioning	Distance travelled well-being measurement
	Improved relationships	Distance travelled well-being measurement

### *Directly measured outcomes*

A number of these outcomes are discrete and can be directly measured, e.g. housing evictions, numbers of children in care. For these outcomes, change in impact should be calculated in terms of the percentage improvement in the outcome. For example, what is the percentage reduction in domestic violence incidents compared to the initial baseline?

### *Distance travelled outcomes*

There are a multitude of potential distance-travelled well-being questionnaires that might be used. A few possibilities are outlined below.

The European Social Survey contains a number of questions and scales that are related to wellbeing<sup>41</sup>. These are particularly relevant as they were used to create the National Accounts of Well-being.

Alternatively, a number of outcomes measurement tools have been developed that can help evaluate specific interventions. These are often designed to be primarily therapeutic tools, and can potentially be integrated more easily into every day practice.

Triangle Consulting have created a range of Outcomes Stars<sup>42</sup>, which identify a range of outcomes for specific interventions and provide measurement tools for each outcome. These are typically on a ten point scale, but include a description of what each point looks like, so that it is far easier to assess where a person should be placed on a scale. There are also more specific tools for specific types of intervention that might be used, such as the Bridge Carer Support Outcome Profile (CSOP)<sup>43</sup> for families and carers of substance mis-users.

We have not attempted to be prescriptive as to which tool or specific question should be used for each of the outcomes in Table 6. This is because the choice of measurement approach should be selected based on the specifics of the intervention. Over time, it is

likely that certain measurement tools will become more prominent, which will aid with the consistency and comparability of analyses.

Whichever distance travelled measure is used, the mechanism for calculating percentage impact is the same. We make the assumption that the monetary value for each social outcome in Table 5 relates to the journey from the worst point on the scale to the best, i.e. the whole range. The percentage impact for each individual is then the percentage change along the scale. For example if someone moved from point 3 to point 7 on a scale which was based from 1 to 9, this would be a distance travelled of 4 points out of the whole range of 8 points. This would then equate to a 50% impact in changing the outcome for the individual. These individual impacts are then aggregated by taking an average of all the change in impact for each outcome, in order to calculate a percentage impact for the whole cohort.

### *Community well-being outcomes*

Measuring well-being outcomes for members of a local community is often much harder, as it is more difficult to engage and get reliable answers to questions. However, there are two sources that might be particularly useful. In Figure 3 below are some distance travelled well-being questions for members of the community put together by the *Community Development Foundation* and *nef consulting (the new economics foundation)*.<sup>44</sup> These ask about levels of well-being now, and three years ago, thereby getting 'distance travelled' with one reading. While this is less reliable than doing two separate measurements at different points in time, the difficulty of re-contacting the same people means it is often much more practical.

Secondly, the government is now measuring well-being as part of its *Integrated Household Survey*, and at some point in the future local well-being data will be available. However, this isn't available in the short term.<sup>45</sup>

**Figure 3: Example community well-being questions**

“Think about the following statements and tick the box appropriate to the extent you agree with them today. Then think back to three years ago... would you have agreed then?”

		Definitely agree	Tend to agree	Tend to disagree	Definitely disagree	Don't know
<i>I feel that I belong to my neighbourhood or local area</i>	Today	<input type="checkbox"/>				
	3 years ago	<input type="checkbox"/>				
<i>I am aware of when and where community events are happening</i>	Today	<input type="checkbox"/>				
	3 years ago	<input type="checkbox"/>				
<i>I am aware of the help and services available to me</i>	Today	<input type="checkbox"/>				
	3 years ago	<input type="checkbox"/>				
<i>I am able to influence decisions that affect my local area</i>	Today	<input type="checkbox"/>				
	3 years ago	<input type="checkbox"/>				

Source: new economics foundation and Community Development Foundation, October 2010<sup>46</sup>

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#### **Step 4 – Assessment of additionality**

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Not all the impact observed will be due to the programme evaluated. Only the additional impact created compared to business as usual should be included in the analysis. To account for this, a number of factors need to be assessed.

These include:

deadweight – what would have happened anyway without the intervention;

displacement – whether any of the impact spills over outside of the target cohort; and

attribution – whether all of the impact can be attributed to the intervention.

Details of how to account for these impacts can be found in the GM CBA Technical Specification document or other publications such as *Small Slices of a Bigger Pie: Attribution in SROI*<sup>47</sup>.

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#### **Step 5 – Assessment of data quality and application of optimism bias correction**

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In general not all of the above data points will be known with the greatest accuracy, especially when carrying out an ex ante appraisal of a proposed intervention. Therefore a number of assumptions may need to be made. These assumptions may be on previous evaluations of similar schemes, but in some cases may need to include expert judgement. To compensate for the potential inaccuracy of the data, a conservative approach is taken, and the overall value for each outcome is discounted by up to 40% dependant on the level of confidence in the outcome. This approach is termed optimism bias correction in the GM CBA methodology.

It is important that the data quality in the analysis is improved over time by implementing a robust evaluation plan. This will enable confidence in using the outputs of the modelling to increase.

Once all the data has been collected, the spreadsheet model then calculates the overall social value.

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#### **Step 6 – Ramp up and drop off of benefits**

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The model monetises the social benefits to provide an annual value for each outcome. To calculate the overall value delivered by the project, an assessment is then required to predict the timing and longevity of these outcomes. Often changes in outcomes take time to achieve, and therefore there will not be the full impact in Year 1. A number of outcomes may also not always be sustained over the long term.

For example, alcohol treatment programmes may reduce alcohol dependency for a number of individuals. However, it is likely that some of these individuals will return to problem drinking over a period of time.

In some instances it may be possible to measure the extent of social outcomes among individuals every year. It is likely however that follow-up measurement becomes harder once participants have 'moved on' from the intervention, and in this instance it is possible to use current data or assumptions about the drop off for economic and fiscal benefits, and apply these to social benefits. So for example if 50% of those who gain a job are out of work again by the end of the five year period, it can be assumed that 50% of those who benefit from a social outcome also no longer benefit from the outcome by the end of the five years.

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### **Step 7 – Summation of outcomes**

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Once all the data for each outcome has been determined and optimism bias correction applied, the total social value can be determined. The standard GM CBA tool is based on a 5 year time frame. However, it is possible to look at longer time frames, which may be important for certain interventions (e.g. Early Years).

Benefits in future years are discounted by the standard Green Book<sup>48</sup> recommended 3.5% discount rate to take account of the time value of money and produce a Net Present Value (NPV).

Summing the benefits across benefit types is not recommended due to the different analysis approach for fiscal versus social benefits. Therefore total benefit should be calculated individually for fiscal, economic and social value.

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### **Step 8 – Presentation of results**

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Once the value for each of the outcomes has been summated, the output of the modelling can be represented in various ways. One of the most useful is the benefit-cost ratio. This is the ratio between the social value and the costs of delivering the scheme. The value can then be used to compare different approaches and used to help the decision making process in prioritisation of expenditure.

It is also possible to investigate the proportions of social value created for individual outcomes, and also whether the recipients of this increased social value are individuals or the community as a whole.

# 5

## **Conclusions and key policy recommendations**

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## **Is the social value approach useful for decision making for public policy?**

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Throughout this research there has been a clear recognition from all that took part of the importance of valuing social outcomes. This has mainly stemmed from the perspective that if social outcomes are not accounted for, then they are effectively left out of the decision making process. This point has been made more salient by the current programme of service reform with challenging commissioning decisions having to be made more on the basis of outcomes and value for money. Despite stakeholders' concern about their own capacity to undertake social value analysis and the complexity of valuing less tangible outcomes, there is some consensus that it would be better to quantify where possible than to not estimate social value at all.

Despite this, it is important to acknowledge that the public policy making process is political, not objective and is driven by moral and ethical considerations. There is often the false assumption of rationality in policy making processes. Even if decision makers are able to draw on information that estimates the value of social impacts alongside the fiscal and the economic impacts, at best social value can only be a supportive tool. If social value is to play a more significant role then it needs to be delivered with greater independence.

It will be a while before social value analysis can match the robustness of the fiscal side of cost benefit analysis, even though this fiscal use of CBA for public policy decision making is still in its infancy. This is because the measurements and valuations required to monetise the social impacts of programmes are inherently much harder due to their more intangible nature. However, the increasing use of social valuation tools will soon start to build up an evidence base which over time will enable more accurate valuation and confidence in the outputs of the modelling.

In their discussion of strengths and weaknesses, participants returned to the need for core outcome comparability across projects. A social value methodology based on a common outcomes framework provides a number of benefits including:

- greater comparability between projects with similar outcomes;
- speeding up the valuation process, and reducing the resources required; and
- allowing the measurements and valuations for the outcomes to be based on a more robust research base.

As they are developed and their use expands, common outcome frameworks also provide a key resource and model to present and enable learning exchange. We believe that they are the most appropriate method to use at this time, and accept that these benefits are an acceptable trade off against the more detailed modelling of theory of change and the total capture of outcomes that a bespoke SROI analysis could provide.

It should be remembered that no evaluation approach will provide perfect answers and that cost benefit analysis of any type should be thought of as a decision support, rather than a decision making process. As such we believe that the approach outlined in this paper provides a proportionate approach which with a relatively modest outlay will provide a strong assessment of the value of core outcomes.

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#### **Where is the approach applicable and where is it not appropriate?**

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A major aim of the approach proposed here is to increase practitioner confidence in exploring and presenting the social value of the projects they are involved in. The proposed framework is based on a robust assessment of a number of 'core' common outcomes originating from the Community Budget pilot projects in Greater Manchester but they are useful to interventions outside of this and across a variety of sectors. The hope is that this research begins a process of development whereby additional, well researched outcomes, are added over time. Currently projects that are new or have alternative outcomes, where the framework is less useful, will require additional capacity to achieve the same level of analysis.

Development of further outcomes should be needs led, with additions to the framework made as a strategic response. Outcomes relating to older people or to young people that are not in employment, education of training (NEETs) are notable examples where future research may be focussed.

It is hoped that having a structured approach to the valuation of a series of 'core' outcomes does not increase the temptation to force projects to fit or to claim against the more common outcomes even though a more bespoke approach is needed.

To overcome this, it is vital that early stakeholder engagement takes place, so that it can be determined whether the outcomes that are important to stakeholders in the project do align with the outcomes framework approach we have set out in this paper.

The social value approach is well suited as an empirical research tool. Our experience of outcomes mapping with stakeholders illustrates that this is a positive and worthwhile exercise in itself. The common outcomes framework approach proposed here lends itself to the 'benchmarking' of project impacts and to comparing large scale projects where there are shared outcomes. It provides a robust assessment of the value of a range of 'core' outcomes alongside guidance of how these outcomes can be measured.

Analysis of social value is most straightforward in 'experiment' conditions in which there are well understood and controllable parameters and where social value is included as an aim from the outset. It is less straightforward where decision making is reactive or where funding precludes detailed evaluation. Experienced practitioners interviewed as part of this research identified some practical challenges in delivering social value analysis which need to be overcome. The resources required to assemble evaluation data across sectors is often underestimated and commissioners and service providers alike often falsely assume 'perfect' data either side of the commissioning process. While rigorous data sharing agreements can minimise inefficiency in analysis, it is often simply a result of a mismatch of skills or relationship breakdown. Further issues with partnership working can arise at the valuation stage where commissioners are often hesitant to accept imperfect proxies. Key to

minimising these problems, is to ensure that at the outset, all stakeholders are involved in the decision to apply social value analysis, so that they are all bought in to make the process successful.

The framework approach proposed in this paper will help open up the process of valuing social outcomes to more groups. At the least the methodology proposed here illustrates in its approach to wellbeing that progress can be made in valuing even the least tangible social outcomes.

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#### **What resources are required to implement the techniques?**

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The proposed methodology chosen for Greater Manchester is designed to make the process of valuing social outcomes (in the first instance for core outcomes relating to Community Budget pilot projects) a less onerous process. It does this through a common outcomes framework assembled using robust valuation procedures that are supported by strong evidence and connected to tried and tested measurement techniques. However, despite this, a range of resources will be required.

The framework approach proposed here consists of a number of steps. The mapping and measurement stages will require in depth engagement with a range of stakeholders, including service users. This may require expertise that is typically beyond the scope of conventional CBA. In the proposed methodology presented here we provide some guidance on how core outcomes relating to wellbeing can be measured.

While extra resources to carry out the mapping, measurement and analysis will be required, commissioners and providers who have used these techniques in general report that this extra outlay is worthwhile. It is not only a valuation of social impact that is produced, it also leads to a better understanding of the key goals of a programme, and can help identify ways of improving performance in order to better meet these goals.

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#### **What are the potential risks and barriers to using the approach?**

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Social value statistics are powerful evidence in the context of delivering savings. However, care needs to be taken in the presentation and interpretation of the results. The exactness in being able to present a social return for each pound invested for a particular project could in the context of tight budget considerations lead to an overemphasis on the size of the return without consideration of the quality and independence of the evaluation process. The ability to assign monetary values also can give an ‘illusion of accuracy’ to the analysis which is not justified. While most organisations encountered in this research are reticent about presenting their worth in monetary terms, a situation whereby organisations and programmes are looking to demonstrate value at all costs can be envisaged, especially if there is growth in ‘off the shelf’ social value methodologies. It is important to remember therefore that valuing social impact should only be one part of the decision making process. A greater understanding of social value will help support decisions, but a wider range of factors should also be considered, including alignment with an overall strategy, political considerations, deliverability of a programme and other wider factors which cannot be considered by the social value approach.

Key to producing good analysis of any kind is having good data, and the rubbish in – rubbish out principle is very applicable to social value analysis. It is therefore important to put in place processes for measuring the outcomes that are important very early on in the delivery process, and not attempt to retrofit the analysis at the end of a project. Further work is also required to look at the measurement tools and systems that are available, to ensure that they are workable on the ground, as opposed to being imposed from the top down.

A final barrier to greater use of the approach is ensuring that there are the skills and capacity in place in all organisations, whether the individuals are analysts, practitioners, providers or commissioners. This is especially important for small third sector providers, who do not have the central support teams found in larger organisations. **Therefore it is key to continue to expand the awareness and training sessions delivered across Greater Manchester,** and potentially to establish a pooled central analytical capacity to support a range of third sector organisations. It is also vital that commissioners, who want to be able to use social value in their decision making, allocate specific funding for analysis as part of any contracts that are let.

We hope that as further use of social value methods such as outlined in this paper increase, this will lead to an expansion of not only the skills required to deliver the analysis, but also the awareness and understanding of what is required for the analysis and how to interpret the results of the analysis. Over time, this will allow a much greater understanding of social value, to ensure that the whole impact of any programme can be considered in the decision making process.

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## Key policy recommendations:

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From the research we have developed three key policy recommendations:

- **We believe it is possible to produce robust social value calculations that will aid the decision making process, without incurring significant resources. Therefore analysts, commissioners, practitioners and providers in Greater Manchester should consider social value created to enable the full picture of impact of a programme to be understood;**
- **In order to test and improve the approach we present here, social value calculations should be carried out on a number of the community budget pilots that are being tested across Greater Manchester. In order to facilitate this, we have aligned the methodology with the GM CBA framework, which is currently being used to understand the fiscal and economic value created by community budgets; and**
- **There is a need for increased awareness and skills to carry out this type of analysis for both commissioners and providers of services. Training programmes should continue to be developed and expanded to meet this need.**

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# Notes

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