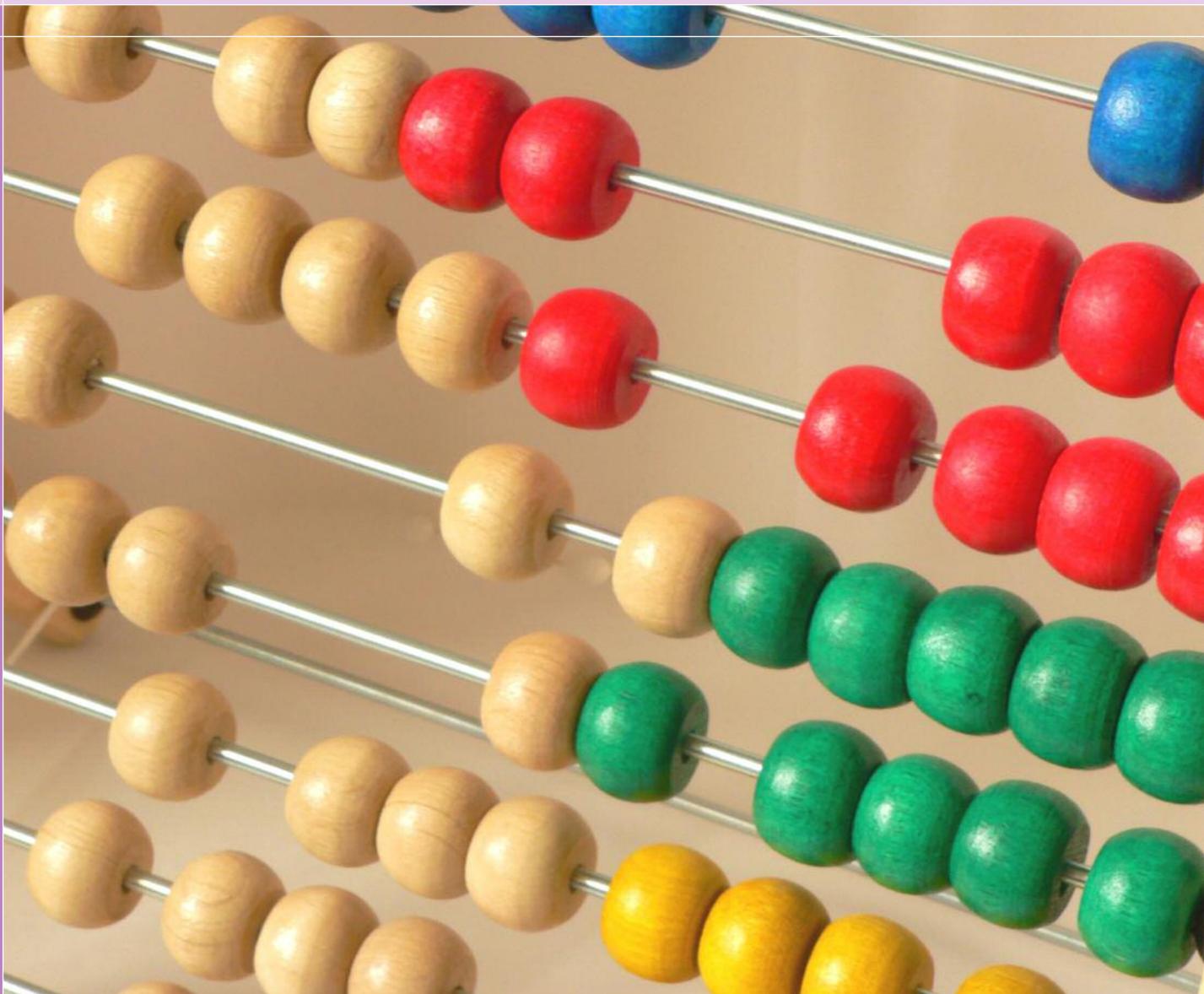


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# 1 Introduction

## 1.1 Purpose of this work

In the context of increased debate about early interventions in the UK, the Local Government Association (LGA) commissioned the National Foundation for Educational Research (NFER) to produce guidance on what constitutes a good business case for early interventions and how it should be assessed. The guidance will be of use to local authorities (LAs) and their partners in their decision-making and planning on early interventions.

The guidance covers:

- how to make or assess a business case for early interventions
- how to make an economic case for early interventions
- the key considerations in evaluating the value for money (VfM) of early interventions
- definitions of key VfM terminology.

The guidance is based on:

- a review of the evidence base
- a description of the measures and indicators used in assessing the long-term benefits of early interventions
- an audit of the approaches and models used to measure the economic value of early interventions.

## 1.2 What is meant by early intervention?

Early intervention is used to refer to services and programmes which:

- **target children and young people** and aim to improve outcomes for them and their families, or more specifically, prevent negative outcomes in the future; and/or
- **target a specific problem**, irrespective of the service user's age, before the problem occurs, escalates or becomes entrenched.

Whichever definition is used, early intervention is based on taking action now in order to achieve anticipated outcomes or impact by a certain point in the future.

As a result, an early intervention programme or service can create improved outcomes for the beneficiary (children, young people and their family members) and/or cost savings for the service provider and/or government.

## 1.3 Study methods

The research methodology involved two main phases.

### Phase 1: scoping the evidence

Relevant evaluation and research evidence was identified in three ways, through:

- bibliographic database and website searches
- referrals from individual contacts either working in, or with knowledge of, children, young people and families' services
- the use of professional networks, information bulletins and online Communities of Practice (CoP).

We reviewed **301 potential sources**, out of a total of 338, for their likely relevance to the study.

## Phase 2: assessing and analysing the relevant evidence

All sources of evidence selected for review were scored for their relevance on a scale of one to five, with one representing a low relevance and five indicating a highly relevant source. The 30 sources judged to be highly relevant were selected for detailed analysis to assess their validity and rigour. The results of this analysis form the basis of this report.

### 1.4 Structure of this guidance

- Chapter 2 outlines the rationale for making a business case for early interventions; what a good

business case should include; and what to consider when assessing a business case.

- Chapter 3 focuses on the economic case for investing in early interventions, a crucial and potentially challenging aspect of a business case. It outlines the core features of a good economic case for early intervention and how to achieve this.
- Chapter 4 sets out the key elements of a VfM evaluation and presents two examples of VfM evaluations.

Further information is included in the appendices.

## 2 The business case for early interventions

This chapter outlines the rationale for making a business case for early interventions; what a good business case should include; and what to consider when assessing a business case as part of your LA's decision-making processes.

### 2.1 Why make a business case for early interventions?

It is good practice to produce a business case to support the planning and decision-making processes regarding the need for any change to service provision. Adopting an early intervention approach inevitably involves change, whether it is focused on introducing a new service or redesigning and/or upscaling existing services. It is also likely to involve reallocating existing resources and investing sufficient finances in the short term. Given LAs' current budgetary constraints, it is particularly crucial to develop a robust business case for investing in a new service, project or programme.

### 2.2 What should a good business case for early intervention include?

A good business case should provide decision-makers with the information that they need to decide whether to invest in a proposed early intervention service, project or programme. HM Treasury (2003a) sets out the components of a business case.

- **Strategic case** – a statement of the need and rationale for the intervention; its objectives; how it fits with the LA's strategic aims and priorities; associated risks, constraints and dependencies; and main stakeholders.
- **Economic (or VfM) case** – an appraisal of different options (ie. projects or services) for achieving the LA's objectives. The appraisal should take account of the costs, benefits (both quantifiable and unquantifiable) and risks associated with the range of options you have identified as potentially

meeting your objectives. There should be a clear rationale for the preferred option and a plan for monitoring and evaluating the achieved outcomes.

- **Commercial case** – a statement of the procurement requirements and strategy for buying-in a service, project or programme in a cost effective manner.
- **Financial case** – a statement of the funding source(s) for the service, project or programme and an estimate of the total cost of delivery over its lifetime. Any funding gaps should be identified and filled.
- **Management case** – a delivery and contract management plan setting out how the desired outcome will be achieved, together with consideration of risks, contingencies and mitigations. A plan for monitoring and evaluating the effects of the intervention is also necessary.

There are further points you may wish to consider when developing your business case.

- It is helpful to define your objectives in terms of inputs, outputs, outcomes and impact. Inputs (such as staff time or materials) are used to undertake activities (such as running a parenting course), which can be quantified as outputs (such as three sessions run attended by a total of 15 parents). These outputs will produce outcomes (for example, increased confidence and knowledge for parents), which will in turn produce impact (better parent-child relationships, fewer behavioural problems amongst children). Appendix B provides some examples of intended outcomes and indicators from the reviewed literature.
- Developing a good business case takes dedicated time and resource – make sure that staff have capacity to take on the task.
- A range of LA and partner organisation service delivery personnel need to be involved in developing

the business case, not just financial and procurement officers.

- It is often necessary to complete multiple iterations of your business case as you flesh out the details and narrow down the options.
- The comprehensiveness of your business case should be proportionate to the amount of expenditure involved and the intended outcomes at stake.

### 2.2.1 How do I assess a business case for early interventions?

When assessing a business case you need to decide whether the proposed intervention is achievable and fit for purpose.

- Is there a strong case for change and does the proposed intervention fit with your LA's strategic priorities? (the strategic case)

- Has a thorough options appraisal been carried out? Has the economic appraisal been carried out in accordance with The Green Book (HM Treasury, 2003b) principles (see section 4.6 for further details)? Is the cost benefit analysis realistic, or does it suffer from 'optimism bias'? Do you have enough information to make a decision on which intervention to take forward? Will the proposed intervention provide the best value for money? (the economic case)
- Is the intervention commercially viable? Are there suppliers who can deliver the intervention? (the commercial case)
- Can your LA afford to commission and deliver the early intervention? If there are funding gaps, how will these be filled? (the financial case)
- Can the early intervention be delivered successfully, within your local context? (the management case)

# 3 The economic case for early intervention

This chapter focuses on the core of a business case for investing in early interventions: the economic case. This is potentially the most challenging and technical aspect of the business case. The chapter outlines the key features of a good economic case for early intervention and the steps for developing such an economic case.

## Definitions

**Economic appraisal** involves using the best available data to model and assess the likely economic benefits of a proposed early intervention (and a series of other possible options). It is a core aspect of a business case for significant investment.

**Economic evaluation** of VfM is concerned with assessing the economic benefits of existing programmes and interventions in which activities have already been delivered. You will need to consider what economic evaluation should take place post-implementation within your business plan.

## 3.1 The economic case

Clearly it is important to be able to assess the value for money offered by different early interventions, when deciding which services and programmes to invest in.

Adopting an early intervention approach can involve redesigning existing services, reallocating existing resources, and investing additional finances in the short term to cover the period required for the anticipated economic benefits to emerge. It is, therefore, necessary to identify the range and scale of anticipated benefits (the consequences, or outcomes and impact, of an intervention), and attempt to attach a monetary value, both to them and to costs avoided. These can then be set against the investment of resources – the costs

associated with the inputs defined in your strategic case – in a specific early intervention.

The economic benefits of early interventions can include avoiding higher costs for services and interventions in the future (cost-related rationale) and/or avoiding the occurrence or escalation of certain social trends in the future (social utility rationale).

## 3.2 What should a good economic case for early intervention include?

The economic case should establish whether the early intervention service, project or programme recommended within the business case optimises VfM. A robust options appraisal will enable the decision-maker to compare the results between options to help select the best solution (that is, the one that optimises VfM). The economic case will perform a number of functions.

- Identify and quantify, where possible, the monetary costs and benefits of all-shortlisted services or projects being considered. Costs should include capital and replacement costs, staff costs, training and support costs, and operational costs, and care should be taken to avoid any double counting. All estimated values need to be as realistic as possible – section 3.2.1 provides some ideas for identifying evidence to support the economic case.
- Describe the non-monetary benefits of the proposed intervention.
- Take account of the risks and uncertainties associated with your different options (known as ‘sensitivity analysis’). You could consider how much a variable would have to fall (if it is a benefit) or rise (if it is a cost) to make it not worth undertaking an option. You could also look at some possible future scenarios – for example, if the number of children and young people in care increased by 10 per cent, what would this mean for your costs and benefits?

- Adjust monetary costs and benefits to take account of the range of factors which may affect the net effect of an intervention. Section 4.6 provides more details on this.
- Identify the preferred option (the one which optimises VfM).
- Set out a monitoring and evaluation framework for the proposed option.

### 3.2.1 How do I identify the evidence required to develop the economic case?

You will need to:

- Understand what data you have available on the cost and effectiveness of current provision. These might be in your business plan, management information or studies that you have commissioned.
- Draw on your networks, Local Government Association communities of practice and internet searches to find out whether other local authorities have initiatives with similar objectives that you can use to develop different options.
- Look for wider evidence about the costs of not intervening early with your target group. This can take many forms including longitudinal research, programme evaluations, case studies, and national statistics. Do not be afraid to think laterally and draw on data for equivalent target groups, where there is a lack of evidence.
- Select and use the most robust and appropriate data available (as discussed in this chapter).
- Consider commissioning new research where evidence is limited and the scale and significance of the proposed early intervention changes warrant it.

### 3.3 What should a good monitoring and evaluation framework include?

Proper planning for monitoring and evaluation of the service, project or programme is an important part of a business case. It should guide the measurement of the project objectives after implementation.

A good monitoring and evaluation framework will set out:

- project inputs
- aims and objectives
- target beneficiary group(s)
- activities to be undertaken
- targets.

It should also specify:

- collection of baseline information and statistics
- the monitoring systems and procedures to be adopted
- a plan for evaluating the invention.

### 3.4 Choosing an evaluation approach

When choosing an evaluation approach, there are a number of issues you may wish to take into consideration.

- The scale of the early intervention and budget available. The greater these are, the greater the rigour that will be both possible and appropriate. Similarly, the larger the costs and benefits are expected to be, the greater the degree of scrutiny and rigour that is warranted. Does your intervention warrant investing in more sophisticated evaluation techniques available?

- Who will be using the information being collected and for what purposes?
- The focus and parameters of your evaluation, which need to be taken into account in the budget and research design.
- What data is possible to obtain, given your budget and timescales? What sorts of approaches will this allow?
- Ethical and legal considerations. Whilst it may be possible to obtain certain data, there may be restrictions on how this can be shared, used, or linked to other data sources. Also, studies that compare beneficiaries to non-beneficiaries may be difficult to justify if a potentially beneficial early intervention is withheld from some young people.

## 4 Evaluating value for money

This chapter sets out the key elements of a VfM evaluation and presents two examples of real-life VfM evaluations.

### 4.1 Different types of approaches to assessing the VfM of early interventions

There is a range of different types of approaches to assessing VfM, and you will need to decide which is most appropriate for your evaluation, taking into account the factors identified in section 3.4. Three core VfM assessment approaches are described below.

**Cost-effectiveness analysis** compares the costs of different ways of achieving the same, or similar, outcomes. A project or programme is more cost effective when it achieves its results at the lowest possible cost compared with alternative projects with the same intended results. In order to complete such an analysis you need to have a clear understanding of the costs of the intervention, and evidence on the outcomes achieved. For the results to be meaningful, a benchmark is also needed against which to compare (for example a different intervention or local authority). Findings will typically be presented in the format: 'for every £1 of investment in this intervention, outcomes improve by x%'.

**Cost-benefit analysis** involves comparing the costs of an intervention with the benefits it delivers. The key difference from cost effectiveness is that all costs and benefits are converted to common monetary amounts allowing them to be compared directly, for example by calculating a 'cost-benefit ratio'. Whilst this ratio can be assessed against other similar programmes or against some established 'rules of thumb', the advantage is that the results are meaningful in their own right. In order to complete such an analysis, you need a clear understanding of the costs of the intervention, evidence on the outcomes, and a means of estimating their financial value (for example, by reference to existing research). Findings are typically

presented in the format: 'for every £1 of investment in this intervention, £x of value is produced'.

**Social Return On Investment (SROI)** is a type of cost-benefit analysis which places particular emphasis on considering as wide a set of stakeholders as possible in the analysis and seeks to value social (non-financial) benefits wherever possible. This could include, for example, people who directly benefit from the early intervention, the wider community or public sector organisations.

### 4.2 Setting the parameters of the evaluation

The parameters of the evaluation should be fit for the purpose of the study and, once agreed, applied consistently. You need to specify the details listed below.

- Who **the intended beneficiaries** are. Are you interested in cost-benefit to the local authority, other public bodies, the individuals involved, or perhaps to society as a whole? For example, an early intervention by children's services may help prevent offending behaviour and, hence, bring about later savings for the youth justice system.
- The **timescale** over which costs and benefits will be calculated. For example, how much time is needed for the expected benefits to be generated by the intervention? Are you interested solely in the short-term consequences of the intervention, or is a longer-term view of interest? It is important to consider carefully the timescale over which evidence of costs and benefits can be attributed to the original intervention.
- Whether you want to assess the **financial or social cost-benefits** of early intervention ('social' costs and benefits have no direct financial value). For example, volunteers involved in delivering an intervention offer their time at no charge, but this time still has a 'value'. Another example is an

intervention that reduces crime, not only bringing about future financial benefits to society, but also improving quality of life – this, again, has a value. How or if these social impacts are included will depend on the availability of suitable evidence, and the extent to which they are perceived to be integral to the overall case.

- Whether you want to include **set-up costs**, or only the ongoing costs and benefits of the early intervention. The latter might be more appropriate if the plan is to justify further funding for an existing intervention.

The parameters for the evaluation should align to the strategic and economic case set out in the business case for the early intervention.

### 4.3 Measuring impact

A critical part of establishing whether an early intervention offers VfM is to prove whether its intended outcomes or impact have been achieved, and to what extent the improvements can be attributed to the early intervention rather than any other factors. There are a range of approaches for collecting such evidence, and these can be characterised by what they measure and when. Less sophisticated approaches may involve just one set of observations of the group subjected to the early intervention, while more sophisticated approaches will involve multiple observations of both beneficiaries and non-beneficiaries. A classification of these different levels of approaches is provided below, based on an existing system called the Maryland Scale of Scientific Methods (Sherman *et al.*, 1998). The first approach has the lowest level of sophistication and the fourth has the highest.

- **Forecast:** it may not be possible to make observations relating to outcomes because, for example, the intervention has not yet been delivered. Instead, the VfM case is based on a forecast of the outcomes expected from the intervention. The forecast could be based on evidence that previous, similar interventions already work, or may simply be illustrative in order to demonstrate the VfM provided by a given set of assumptions.
- **Limited observed evidence:** a correlation may be observed between outcomes and whether or not

areas or individuals have been subjected to the early intervention. Alternatively, following the intervention, an improvement in outcomes may be observed for beneficiaries. However, no comparison group is included, and it is not possible to conclude that improvements have necessarily come about as a result of the early intervention.

- **Comparison group approach** (a quasi-experimental approach): differences in outcomes of an intervention are observed for beneficiaries and a group of non-beneficiaries whose observable characteristics are similar. For example, pupils with low school attendance receiving an early intervention could be compared to pupils at the same or similar schools, with similar family backgrounds, but who are not receiving the early intervention. Alternatively, if there are differences between the two groups they can be controlled for, through use of weighting or statistical modelling. When carefully applied, these approaches can provide good evidence that an early intervention is improving outcomes. However, it is still possible that differences between the two groups in unobserved characteristics (such as levels of motivation or resilience) have an influence on the outcomes of interest to those funding or delivering the intervention.
- **Randomised control trial (RCT):** individuals or areas are randomly assigned to either a 'treatment group', which receives the early intervention, or a 'control group', which does not. No other differences (observed or unobserved) are expected between the groups prior to the early intervention, and so differences in outcomes can be reliably attributed to it. This is the approach usually taken in scientific experiments or medical trials, and is considered the 'gold standard' in proving that an early intervention has caused outcomes to be realised and/or improved. However, ethical, cost and logistical considerations often make RCTs difficult to implement in practice by, for example, denying the control group access to the intervention.

### 4.4 Measuring benefits

Measuring benefits involves expressing the outcomes, or impact, of an intervention in monetary terms, where possible. This may include benefits realised within the period of the study and/or future and longer-term

benefits. Benefits may also include costs avoided to other local services, or draw on research into the wider, social and economic benefits of an early intervention.

In many cases with health and social care interventions, it is not possible to monetise all the outcomes and impacts. This is most usually the case for social and environmental impacts as opposed to economic impact. Benefits that cannot be expressed in monetary terms should still be recorded as part of measuring the VfM of an intervention – quantified where possible, or using more qualitative evidence to describe the further benefits to be considered alongside the figures provided.

For example, it may not be possible to measure the impacts on community cohesion, but it could still be included in qualitative terms and couched in terms such as the intervention is also likely to have a small positive impact on [...].

If an early intervention has already been delivered, and evaluated, the benefits are measured as described above.

## 4.5 Measuring costs

In order to demonstrate VfM, a measure is also required of how much an early intervention has cost to deliver. On the face of it, this may appear just to consist of a grant or additional staff salaries. However, there will often be additional resources required to deliver an early intervention. Exactly how or if certain costs are accounted for will, in part, be a policy decision at the beginning of the study. The key point here is that these decisions need to be applied consistently when calculating all the costs and benefits of the early intervention.

As with measuring benefits, there may be some costs which cannot be measured directly, but they should still be acknowledged and, where possible, their likely magnitude estimated in qualitative terms (relative to the other costs considered in the study). They could be described as, for example, a small cost saving or a *moderate cost increase*.

More sophisticated studies will typically take account of a wider range of additional costs, for example, the full

cost of staff time, infrastructure and in-kind contributions.

## 4.6 Applying sound economic principles

To ensure a fair, rigorous and balanced assessment of VfM, a number of economic techniques and principles should be applied. Many of these are outlined in more detail in the *The Green Book* (HM Treasury, 2003b). Whilst the techniques and principles will not all be appropriate in all cases, more sophisticated studies will typically take account of one or more of the following:

### Allowing for inflation

The effects of inflation mean that prices measured in the future will typically be higher than they are today. However, this is a consequence of general price increases in the economy, and does not necessarily mean that these things are valued more highly in the future. Costs and benefits measured at different points in time should, therefore, use a consistent price base (for example, 2011 prices), whereby costs are adjusted for the effects of inflation.

### Future costs and benefits

Separately to the effects of inflation, costs and benefits which occur in the future are less valued by society than those which occur today. A discount rate should, therefore, be applied to impacts which occur in the future, typically reducing their value by 3.5 percent per annum.

### Being consistent

The decisions made relating to the 'parameters' described in this section should be applied consistently throughout a study. For example, if ten years' worth of benefits are included, then costs should also cover this same period. Furthermore, consistency should also apply across early intervention and comparison groups, so that costs and benefits calculated for the early intervention are genuinely incremental. For example, you may be exploring the VfM offered by an enhanced

package of support provided to vulnerable families, with a view to estimating the benefits by comparing outcomes to those of a comparison group of families who were provided with a standard package. In this case, calculating the cost of the early intervention should also estimate this baseline cost (i.e. the cost of a standard package) and subtract it from the cost of the enhanced support.

### Dealing with uncertainty

There are likely to be uncertainties, often substantial, relating to at least some of the figures used in a study. Where estimates are made these should err on the side of being conservative. This ensures that the case for the early intervention is not overstated and the credibility

of the study undermined. Where there are elements which cannot be included, these should still be discussed and estimates made of the direction, if not the scale, of their possible influence on the findings. Elements which are included should be subject to sensitivity testing, for example, by re-calculating forecasts using high or low estimates for each assumption. Finally, where uncertainty exists it should be reported transparently, and spurious accuracy should not be attributed to reported figures.

### Only counting once

Care should be taken not to double-count any costs or benefits. For example, if a young person is subject to more than one early intervention then it would not be

**Table 4.1 A cost-benefit analysis of the Abecedarian early childhood intervention**

The Abecedarian Early Childhood Programme began in 1972 in Carolina, USA, and provided intensive pre-school services to children in low-income families. It was implemented in such a way as to facilitate some of the more sophisticated approaches for assessing VfM, and it serves as an excellent example of these in relation to early interventions.

<b>Setting parameters</b>	The scope for this study was very wide, with lifetime costs and benefits to the state and individuals considered. Social benefits such as the personal benefits of education, quality of life, and engagement in society were also considered but not measured. Costs were estimated on the basis of the total costs which would be involved in large-scale provision of the programme, that is, if the programme was to be rolled out more widely than the single pilot setting evaluated.
<b>Measuring impact</b>	The impact of the programme was demonstrated using an RCT (ranked as level four on our scale), with eligible children being randomly assigned to treatment and control groups. Both groups were then tracked up to the age of 21 and various educational outcomes measured. Children receiving the treatment achieved significantly better outcomes than the control group, thus providing robust evidence that the programme had made an impact.
<b>Measuring benefits</b>	Benefits considered by the study include: participant earnings, earnings of future generations, savings to the school education system, improved health, improved productivity and earnings amongst mothers of participants, higher education costs (a 'negative' benefit) and welfare savings. By tracking the two groups to age 21, some of these benefits could be measured directly – for example, the extent to which additional schooling support was accessed, and the prevalence of smoking. Others were forecasted, such as participant earnings, and the impact of smoking on life expectancy. Where this was the case, detailed analysis was undertaken, for example, using census and educational survey data, in order to generate robust estimates.
<b>Measuring early intervention costs</b>	Costs of the programme are based on an earlier study, and so the detail provided is limited. However, they do include paid staff and volunteer time, plus non-staff costs such as equipment and facilities. Furthermore, estimates are made of the costs of standard provision to the control group in order to calculate incremental costs.
<b>Sound economics</b>	Throughout the study an emphasis is placed on the assumptions being made, and uncertainties around these, indicating the likely direction of potential bias, and erring on the side of being conservative, where possible. Costs and benefits are all adjusted for the effects of inflation, and discount rates are applied where these occur at different points in time. Findings are re-calculated for a number of alternative discount rates, and exclude some of the categories of benefit in order to test how sensitive the findings are to the assumptions made.

appropriate to attribute the full set of benefits to both interventions. Rather, the benefits should be shared between them, or the costs combined. Similarly, the long-term outcomes from an early intervention may be expected to improve attainment and reduce the number of young people not in employment, education or training (NEET), for example. In this case, care is required when valuing the benefits of higher attainment, to ensure that the impact on the chances of being NEET are not counted twice. Finally, sometimes a benefit to one party may be a cost to another; if both parties fall within the scope of the study, then this is simply a transfer rather than a cost

or a benefit. For example, a reduction in welfare payments is a benefit to government, but a cost to the recipients.

## 4.7 Examples of VfM evaluations

An in-depth consideration of two different VfM evaluations is presented below to contrast different levels of sophistication when undertaking VfM studies. A brief description of each study is provided, followed by an assessment of its approach in relation to sections 4.2–4.6.

**Table 4.2 Evaluation of the Blackpool Springboard Project**

<b>Setting parameters</b>	There is a tight focus on the costs and benefits included in the study: short-term financial costs (and costs avoided) to public services resulting from each individual case study. Setup costs, wider social and longer-term impacts are all excluded.
<b>Measuring impact</b>	The impact of the project overall was explored through a mixture of comparing various outcomes for beneficiary families before and after the programme, and through comparison with a small group of families who met the eligibility criteria for the project. This approach could be placed between two and three on our scale. For the case studies, immediate impact was based on some observed improvements in the families' circumstances and behaviour.
<b>Measuring benefits</b>	The benefits considered for the project were the costs avoided through reducing the likelihood that the families' needs would escalate and therefore place greater demand on public services. As noted by the paper (Ravey <i>et al.</i> , 2008), however, these negative alternative scenarios would only have occurred for a subset of the families involved. The scenarios are based on a professional judgement of a range of what-if scenarios, and no attempt is made to quantify the extent to which families' chances of negative outcomes are reduced.
<b>Measuring early intervention costs</b>	Although the cost assumptions are not discussed in detail, staff costs seem to include an allowance for additional time spent on cases not directly in contact with the family. It is unclear whether they include the additional costs associated with employing and supporting practitioners, such as a share of facilities and equipment costs. No consideration is given to the costs of alternative services which may have been accessed in the absence of the project.
<b>Sound economics</b>	Costs and benefits are considered over consistent timescales which are relatively short, so discounting and allowing for inflation is not necessary. Substantial uncertainty exists around the cost and benefit estimates; with more resources, the study could set these within the wider context of the target population, and test how sensitive the overall case for the project is to the various assumptions made.

## 5 Concluding comments

Making a business case for early intervention is a key part of a LA's decision-making process when considering whether to invest in early intervention. Developing a business case for an early intervention requires resources, no matter how modest or small. The challenge is ensuring the resources deployed are proportionate to the expenditure on the early intervention service and expected benefits (or costs avoided) to your LA.

Based on the review of evidence for this study, there are a number of options you might wish to consider.

### **Do you have, or can you easily develop, the in-house expertise to undertake your own business case and evaluations?**

For a relatively modest or straightforward early intervention, you probably can do it yourself following the guidelines set out in this report.

### **Are you able to secure funding to commission an organisation to conduct the assessment for you?**

This has the advantage of perceived independence and objectivity but needs to be weighed against costs and the possibility of independent organisations not having the same level of in-depth knowledge of the intervention, its rationale and outcomes.

### **Can you build in time for a peer review of business cases, evaluation plans and reports, in order to provide quality assurance and share knowledge and expertise?**

You may wish to undertake a peer review process internally or draw on critical friends from outside your organisation. A peer review can provide opportunities for discussion and reflection on processes and practices, relevant to your organisation, and may provide you with more locally relevant information for conducting your business case.

### **Could you investigate the possibility of joint commissioning of evidence of outcomes or impact with other authorities and strategic partners that have similar objectives?**

This might create the necessary economies of scale for a robust analysis.

### **Can you identify and engage in appropriate networks?**

For example, Local Authorities Research and Intelligence Association, the Government Economic Service, UK Evaluation Society, and communities of practice hosted by Local Government Improvement and Development (LGID), Local Authorities Research Consortium (LARC) and Research in Practice.

## Appendix A Nature of the most relevant evidence

As outlined in chapter 1, 30 documents were rated as highly relevant to this research and selected for more detailed analysis. While not all of these sources have been cited in this guidance they have all informed our thinking within this piece of work.

Approximately two-thirds of the evidence (19 sources) present some form of analysis of real-world or replicable early interventions. The final third

(11 documents) provide insights on developments and issues to consider when assessing the economic benefits of an early intervention. They also suggest resources which might support such an activity. Examples include *Early Intervention: The Next Steps* (Allen, 2011), which was commissioned by the Government.

Most of the highly relevant sources focus on pre-school childcare, early childhood and social welfare early interventions or services (including those designed for children and their families). Other foci of early interventions or services include children's reading, autism, substance misuse, reducing offending or anti-social behaviour, disengagement in education or training, and general preventative approaches within universally provided services.

Within the evidence presenting some form of economic analysis, there is a mix of numbers and types of early interventions considered. These sources are divided between those that focus on one particular early intervention or programme (differentiated from other services), and those that review a variety of early interventions or evaluations (still differentiated but results are combined in the analysis). A number focus on services that are embedded in, or are an extension of, wider services. Some sources focus on the need to upscale or increase the range of existing early intervention services, rather than the introduction of an entirely new early intervention.

Target beneficiaries are considered from a number of different perspectives: children and young people in different age ranges (0-5 years, 5-11 years and 12-18

years); children who need or are in care; children with specific health needs (autism and substance misuse); children and families who require intensive support on a range of needs; the ethnicity of children and young people (African-American pre-school children); and children and young people at risk of offending.

The majority of the sources are evaluations based on analyses of primary and secondary research data for either one or a number of early interventions or services. Two of the sources use RCTs: Scott *et al.*'s 2010 study of the Supporting Parents On Kids' Education in Schools (SPOKES) project, and Masse and Barnett's 2002 evaluation of the Abecedarian early childhood intervention.

Others include analyses of longitudinal data, such as the quasi-experimental study of the US-based High/Scope Perry Preschool Program (Heckman *et al.*, 2010).

A further four present case studies based either on primary data taken from existing early interventions or modelled secondary data (from government sources, delivery agencies and previous research). Examples include Budget-Holding Lead Professional Pilots: Staged methodology and Costed Case Studies (OPM, 2008) and the Audit Commission's (2010) briefing on young offenders as part of its Against the Odds research programme.

A number of other sources conduct meta appraisals or reviews of evaluations of a range of early interventions, such as the review of projects funded through the Invest to Save budget (HM Treasury, 2007).

The scope of assessing economic value varies widely across the 19 sources that focus on real-world or replicable early interventions. For some sources, it is the main purpose, for example, the cost-benefit analyses of specialist drug and alcohol services for young people (DfE, 2011) and of the care system for children (Lawlor, 2008). In other sources, economic analysis is only one of, or a small part of, the wider evaluation or research,

for example, the evaluation of an intensive service for children and families in Blackpool (Ravey *et al.*, 2008).

Additionally, a range of different methodologies are used to conduct economic analyses in these 19 sources, producing studies with different combinations and forms of cost-effectiveness, cost-benefit analysis, SROI and economic modelling.

## Limitations in the evidence base

The review of relevant evidence identified a wide range of approaches to assessing the VfM of early interventions. Within this evidence base, however, there are too few sources of sufficient similarity to identify distinctive, or common, approaches used in assessing the VfM of an early intervention. Specifically, the differences between the identified approaches are too great to make meaningful comparisons between them either in terms of the VfM methods used or the type of early intervention considered.

Furthermore, the nature of the early interventions under investigation varies widely and, in some sources,

is unclear. This means it can be difficult to differentiate between activity which has discrete or time-limited funding; or between activities which are embedded in other services compared to those which are delivered separately.

The varying purposes of different evidence sources further limit their comparability. While some sources focus on making a business case for the continuation of (or further) funding, others investigate the general case for adopting a more preventative approach within existing mainstream or universal services.

Such limitations are underlined in a number of the sources themselves (Allen (2011); C4EO (2010); McCrone and Knapp (2007)). One of the most recent evidence sources, which reviews 72 early intervention programmes, notes:

*Many of the programmes in the list developed by my review produce substantial economic benefits to local authorities [...]. However, the metrics for assessing costs and benefits remain varied, and [...] in some cases, there is no information at all.*

Allen (2011, p.78)

## Appendix B Example measures of longer-term benefits

The table below outlines a selection of indicators used to measure a wide range of outcomes for early intervention and services, which were documented in

the reviewed evidence. The measures are presented thematically, according to the benefit of interest and the indicator used to measure them.

**Table 3.1 Selection of themed indicators used to measure longer-term benefits**

Theme	Benefit being measured	Example indicators	Study reference
Health	Health benefits	Reduced smoking translated into longer lifespan.	Masse and Barnett (2002)
	Reduced use of acute and emergency health services	Number of stays in hospital as inpatient. Number of psychiatric inpatient visits as both child and adult and outpatient visits as a child.	Scott <i>et al.</i> (2001)
	Lower levels of drug and alcohol related crime/offending	Self reports of crime (assaults, theft and shoplifting) and health (physical and psychological).	DfE (2011)
	Lower likelihood of young people developing drug and alcohol misuse problems as adults	Re-presentation rates for young people four years after treatment is used as a proxy for effectiveness of treatment. These rates are used to estimate the percentage reduction in numbers of young people developing drug and alcohol problems as adults.	DfE (2011)
Education	Reduced schooling costs	Measure the reduced incidence of special schooling, and use evidence on the higher cost of special schooling.	Masse and Barnett (2002)
	Achievement	Reading and maths test score ages.	Borman and Hewes (2001)
	Reading	British Ability Scale – an individually administered test of a child's ability to read single words.	Scott <i>et al.</i> (2010)
Welfare and employment	Participants' future earnings	Actual educational attainment (age 21) is related to final educational attainment, which in turn is related to lifetime earnings using census data and survival rates.	Masse and Barnett (2002)
	Reduced welfare dependence	Impact on reduced administration costs (technically welfare payments are not treated as a cost or benefit, only as a transfer within the economy).	Masse and Barnett (2002)
Crime prevention/reduction	Reduced youth crime within neighbourhood	Analysis of statistics on crimes committed more frequently by young people (defined as robbery, criminal damage, burglary, violence against a person and theft of and from a vehicle).	Nevill and van Poortvliet (2011)
	Reduced crime levels	Average per crime costs calculated top-down based on national datasets.	Aked <i>et al.</i> (2009)

**Table 3.1 Selection of themed indicators used to measure longer-term benefits *cont'd***

<b>Theme</b>	<b>Benefit being measured</b>	<b>Example indicators</b>	<b>Study reference</b>
Anti-social behaviour	Child anti-social behaviour	Actual measurement using a standard investigator-based interview called Parent Account of Child Symptoms (PACS), similar to the Child and Adolescent Psychiatric Assessment, and administered twice (pre- and post-intervention) to measure parent's assessment of their child's anti-social behaviours, for example, lying, stealing, tantrums, rudeness, disobedience, destructiveness and aggressiveness.	Scott <i>et al.</i> (2010)
Family	Quality and stability of relationships	Measured as level of contact with families, and valued as annual expenditure on hobbies, treats and activities. Also considers transactional costs of unstable care placements.	Lawlor (2008)

## Appendix C Useful resources

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Resources for ...	Description
<b>Evidence of outcomes</b>	<i>A list of evidence-based practice databases</i> covering a range of different types of early intervention programmes is provided in the first report of the Review of Early Intervention, <i>Early Intervention: The Next Steps</i> (Allen, 2011).
<b>Costings</b>	<p>The <i>Audit Commission</i> has a costing tool to forecast long-term costs associated with local authority's NEET population <a href="http://www.audit-commission.gov.uk/neet">www.audit-commission.gov.uk/neet</a></p> <p>The Centre for Child and Family Research (CCfR) at the University of Loughborough has developed a <i>cost calculator for children's services</i> <a href="http://www.ccfc.org.uk/research-and-development/">http://www.ccfc.org.uk/research-and-development/</a></p> <p>The Personal Social Services Research Unit has developed a resource called <i>Unit Costs of Health and Social Care 2010</i> <a href="http://www.pssru.ac.uk/uc/uc2010contents.htm">http://www.pssru.ac.uk/uc/uc2010contents.htm</a></p> <p>The Centre for Excellence and Outcomes in Children and Young People's Services (C4EO) has produced a <i>resource to support the assessment of the cost of effective interventions (C4EO, 2010)</i> <a href="http://www.c4eo.org.uk/costeffectiveness/default.aspx">http://www.c4eo.org.uk/costeffectiveness/default.aspx</a></p>
<b>General guidance</b>	<p><i>The Green Book</i> is HM Treasury's guidance for Central Government, setting out a framework for the appraisal and evaluation of all policies, programmes and projects (HM Treasury, 2003). It sets out the key stages in the development of a proposal from the articulation of the rationale for intervention and the setting of objectives, through to options appraisal and, eventually, implementation and evaluation. It describes how the economic, financial, social and environmental assessments of a proposal should be combined and aims to ensure consistency and transparency in the appraisal process throughout government. It can be accessed at <a href="http://www.hm-treasury.gov.uk/data_greenbook_index.htm">http://www.hm-treasury.gov.uk/data_greenbook_index.htm</a></p> <p>As a supplementary to <i>The Green Book</i>, HM Treasury provides <i>guidance on the development and assessment of business cases</i> which can be accessed at <a href="http://www.hm-treasury.gov.uk/data_greenbook_business.htm">http://www.hm-treasury.gov.uk/data_greenbook_business.htm</a> and a <i>user guide on GDP deflators</i> that can be accessed at <a href="http://www.hm-treasury.gov.uk/data_gdp_index.htm">http://www.hm-treasury.gov.uk/data_gdp_index.htm</a>. HM Treasury in partnership with the National School for Government provides courses.</p> <p>The <i>Magenta Book</i>, also by HM Treasury, provides user-friendly guidance for policy officials and government analysts on the methods used by social researchers when they commission, undertake and manage policy research and evaluation. This is an online resource accessible at <a href="http://www.civilservice.gov.uk/my-civil-service/networks/professional/gsr/resources/magenta-book-main-page.aspx">http://www.civilservice.gov.uk/my-civil-service/networks/professional/gsr/resources/magenta-book-main-page.aspx</a>. A full copy can be downloaded at <a href="http://www.civilservice.gov.uk/Assets/complete_Magenta_tcm6-8611.pdf">http://www.civilservice.gov.uk/Assets/complete_Magenta_tcm6-8611.pdf</a></p>
<b>VfM methods</b>	<p>The Cabinet Office (2009) has developed <i>A guide to Social Return on Investment</i> that can be downloaded from New Economics Foundation webpage <a href="http://www.neweconomics.org/sites/neweconomics.org/files/A_guide_to_Social_Return_on_Investment_1.pdf">http://www.neweconomics.org/sites/neweconomics.org/files/A_guide_to_Social_Return_on_Investment_1.pdf</a>.</p> <p>The European Commission provides <i>guidance and a toolkit for cost effectiveness</i> analysis that can be accessed at <a href="http://ec.europa.eu/europeaid/evaluation/methodology/eval/tools/too_cef_som_en.htm">http://ec.europa.eu/europeaid/evaluation/methodology/eval/tools/too_cef_som_en.htm</a></p>

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## Recently published reports

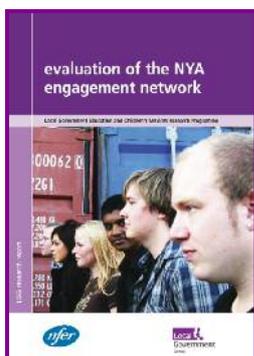
The Local Government Education and Children's Services Research Programme is carried out by the NFER. The research projects cover topics and perspectives that are of special interest to local authorities. All the reports are published and disseminated by the NFER, with separate executive summaries. The summaries, and more information about this series, are available free of charge at [www.nfer.ac.uk/research/local-government-association/](http://www.nfer.ac.uk/research/local-government-association/)



### **Safeguarding: council developments**

The overarching aim of this study is to evidence the key learning from any changes in LAs' safeguarding practice, performance and behaviours in the light of the recommendations of the second Laming report (DCSF, 2009). The analysis of LAs' responses during this period is intended to provide evidence to support improvement in the sector.

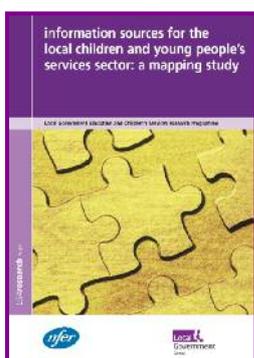
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### **Evaluation of the NYA engagement network**

The NFER is conducting an evaluation of the LGA pilot project 'Promoting engagement in education, employment and training - pilot project evaluation'. The LGA is funding the pilot project in four local authorities (Cumbria, Bradford, Sandwell and Plymouth) aimed at engaging young people aged 16-24 with experience of being NEET into the planning and delivery process at a local level.

<http://www.nfer.ac.uk/publications/PEEX01>



### **Information sources for the local children and young people's services sector: a mapping study**

The LG Group is currently developing its online offer for local authorities (LAs). The offer will consist of: the Knowledge Hub (K-Hub), a new information, advice and guidance hub; 'Inform', a web-based collection of data and data tools; and the esd-toolkit, which provides tools to help LAs deliver services to residents more effectively.

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In recent years, the value of adopting an early intervention approach to the delivery of services and programmes has been the focus of increased debate in the UK. In this context, the Local Government Association (LGA) commissioned the National Foundation for Educational Research (NFER) to produce guidance on what constitutes a good business case for early interventions and how it should be assessed. This guidance covers: how to make or assess a business case for early interventions; how to make an economic case for early interventions; the key considerations in evaluating the value for money (VfM) of early interventions and definitions of key VfM terminology. It will be of interest, and use, to local authorities (LAs) and their partners in their decision-making and planning on early interventions; Directors of Children's Services; the LGA's Children and Young People Board, LGA policy colleagues and other members of the LGA Group.