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economics as if people and the planet mattered

A FALSE ECONOMY:

How failing to invest in the care system for children will cost us all

Measuring What Matters | 2

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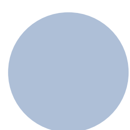

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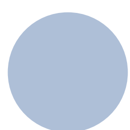

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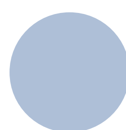

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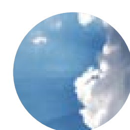

future economy

nef (the new economics foundation) is a registered charity founded in 1986 by the leaders of The Other Economic Summit (TOES), which forced issues such as international debt onto the agenda of the G7/G* summit meetings. It has taken a lead in helping establish new coalitions and organisations such as the Jubilee 2000 debt campaign; the Ethical Trading Initiative; the UK Social Investment Forum; and new ways to measure social and economic well-being.

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Executive Summary

Residential child care is often in the news, and nearly always for the wrong reasons. Good residential care services can still be found behind the dramatic headlines about 'failing' care homes and 'delinquent' young people. But the best work in this area is going unnoticed or has been undermined by a preoccupation with inappropriate performance targets and cost cutting.

This is one of the key conclusions reached by **nef** (the new economics foundation) which has used the concept of Social Return on Investment (SROI) to examine closely how young people are benefiting from the work of two of the UK's well-regarded care homes – Bryn Melyn Care Ltd and Shaftesbury Young People.

SROI analysis is a process for understanding, measuring and reporting on the social, environmental and economic value created by an intervention, and provides a valuable framework for measuring the long-term change created by public policy. In applying this form of analysis to residential care, **nef** has found that policy-makers are putting some of society's most vulnerable young people at even greater risk of exclusion because they are failing to grasp the benefits that high-quality care homes bring to children and to wider society.

The Commission for Social Care Inspection reported in 2005 that the performance of the UK's residential care homes was improving. But it also found that the improvements made were not translating into better outcomes for children. **nef**'s research suggests that the Government and some local authorities are paying lip service to a ***'child-centred'*** approach while making cuts that betray a lack of understanding of what young people in care really need and value. How we care for the young and old in the future is arguably one of the greatest challenges the public sector faces; although focussed on residential child care the findings from this research have more far-reaching implications.

Residential Child Care

Residential Child care refers to children's homes, and is a form of accommodation for children that are placed on a care order. Approximately 13 per cent of children are placed in this form of care.

Child–Centred

This is a model of care which is informed by a philosophy of respecting and valuing children as individual people in their own right with their own interests and abilities, and which acknowledges their competencies and ability to make decisions.

Measuring What Matters

The research behind this report was conducted under the umbrella of Measuring What Matters – a **nef** programme investigating how government policy-making could be improved by measuring and valuing what matters most to people, communities, the environment and local economies. Measuring What Matters seeks to move away from a culture within government that is short-term and target-driven, towards one that enables the pursuit of real social, environmental and economic well-being. The programme has piloted the use of Social Return on Investment (SROI) across three policy areas including children in care.

In this case, **nef**'s research was motivated in part by the lack of accountability that young people perceive in residential care services. Although the need for better consultation and a more child-centred ethos is regularly expounded, this tends to be restricted to the design and delivery of services. There is no mechanism or system through which young people can hold providers, local authorities or central government to account for the kinds of services they receive.

The approach taken by **nef** was to use two case studies, nominated by expert partners, as examples of good child-centred practice within specialist therapeutic provision. Residential care is often seen as the worst, last-resort option for children in the UK. Specialist therapeutic provision – one of the more expensive options within an expensive service – is often squeezed financially. It can be hard to show the benefits of such intervention when looking at 'hard outcomes' because the young people involved come from severely disadvantaged backgrounds – not only in relation to their families of origin, but also in their care pathways and experiences of other services, such as education.

nef set out to answer two main questions:

- Is there a more meaningful way of looking at the benefits of this kind of provision for young people, one that takes better account of their own experiences?

- If so, does such a method show specialist therapeutic provision to be worth the financial investment it demands?

Findings

Our economic analysis has found:

- For every additional pound invested in higher-quality residential care, between £4 and £6.10 worth of additional social value is generated.

- In one of the case studies we were able to aggregate this across the population of young people in residential care, which suggested that the total value of these services is equivalent to almost £700 million over 20 years. Put another way, what is saved on other social costs by investment in this kind of residential care would be enough to pay for the country's entire annual care bill for children in care.

- Although a small-scale study, this approach highlights the false economy inherent in bargaining down unit costs, at the expense of quality. We found that providers could almost double what they were charging each week and it would still represent a positive return. By this we mean that when the benefits are aggregated across all government spending and into the future, the knock-on social and economic savings are greater than the cost.

The cost-cutting environment in which these projects operate is taking its toll, however. One of the providers that we examined, Shaftesbury Young People, has itself recently lost out on contracts to larger providers because it could not compete on price. Policy has recently acknowledged the importance of promoting children's well-being, and child-centred approaches are being promoted as a way to maximise this. It is these very methods, however, that are being sacrificed in the competitive tendering process. Providers are being forced to view essential psychotherapeutic and advocacy services as 'nice to have', and staff are being pressurised to slim down their offering to compete on price.

A new way of measuring

Gaps in data made our research very challenging. Outcomes data tend not to be collected systematically. Even when information is gathered, it tends not to cover or measure the things that matter most to young people, and outcomes and indicators are not sufficiently tailored to the strengths of children in residential care as well as to their needs. In particular our research has found that:

- Official studies rarely include an economic component, and this is generally an under-researched area – even though it represents a large portion of children's funding. Our economic analysis focuses on those aspects of a young person's life for which data exist. But with the exception of relationships in one of the analyses, this study has had to exclude many of the things that are essential to our well-being: social networks, a sense of autonomy and competence, feeling loved and cared for, and so on. Measuring What Matters is not just about better ***indicators***, therefore. We advocate using a 'jigsaw' approach to gathering evidence that combines qualitative, quantitative and economic data. This is because there is value in understanding the whole story of a project as it emerges from this kind of research, not just the headline indicators of benefit.

- Even if national data were made available to allow comparisons with other providers, the attribution of outcomes to different interventions would be impossible without better baseline information. Even with such information it would be difficult to rate the work that a single organisation is doing in this sector because so much will depend on its particular circumstances and the profile of the young people it works with. An organisation might report poorer-than-average outcomes and yet it could still be generating significant value once its particular challenges are taken into account.

- Appropriate ***benchmarks*** need to be used. For example, for children in care (particularly those with the most complex needs) other 'in difficulty' groups might be a more appropriate benchmark than the general population of young people.

Indicators

An indicator is a piece of information that helps us determine whether or not change has taken place. Indicators matter because they are a way of knowing if an outcome has taken place.

Benchmarks

Benchmark(s) are used for the comparison of similar processes across organisations or areas. The data collected for establishing a benchmark can act as a baseline and can be used for before-and-after comparison. Only by using appropriate benchmarks can issues of deadweight and displacement be understood.

Recommendations

In a previous paper, **nef** has called for the introduction of a public benefit model for public service delivery. This research provides further evidence that such a framework is required. A public benefit model is distinct from either the market or the welfare-statist models in that it recognises the pursuit of outcomes – rather than ***outputs*** or efficiencies – as the key to improving services. It also seeks to involve service-users as co-producers rather than mere 'consumers' of public services. Such a model is of great relevance to the care sector, and specifically would involve:

- Commissioning for outcomes: the sustainability of small and niche providers would be reflected in any measures of efficiency used to make public sector purchasing decisions.

- Placing people at centre stage: public services would be co-produced by commissioners, providers and service-users; service-users in particular would be seen as capable of making key contributions to the change that the service seeks to bring about.

- Measuring what matters: triple-bottom-line indicators would be built into contracts and used to encourage providers to maximise value-creation in the broadest sense, unlocking innovation and triggering a new 'race to the top'.

In the light of the above findings, we have three main recommendations, which we believe would move towards a system where social, environmental and economic outcomes were maximised for children in care.

Outputs

A policy intervention usually results in something demonstrable or countable right afterwards. Outputs are usually finite – either items created, such as the number of jobs created, or numbers of people who have received skills training. While outputs are often the first step in creating the longer-term change at which policy is aimed, they are not enough by themselves to create that change.

1. Commissioning of residential care services should be based on achieving positive long-term outcomes as opposed to short-term cost savings.

The current approach to purchasing is failing young people. Standards are not improved by the creation of an 'efficient market' in service provision; they are improved by developing an explicit theory of change and using it to identify those indicators that capture progress against key outcomes. Markets are incapable of taking the holistic approach suggested above and are biased towards short-term outputs, rather than long-term outcomes.

Efficiency savings targets, which were ramped up in the 2007 Comprehensive Spending Review, have put intolerable pressure on local authorities to deliver more services for less money. These targets need to be rethought – particularly in relation to services for the most vulnerable groups. We would be better off with a system in which providers cost their services and local authorities choose to purchase those that are most suitable. This is the approach used in many European countries, where many residential children's homes are run by the independent sector.

Current performance indicators in the UK create perverse incentives in decision-making that are not always in the interests of the child. Promoting competition may discourage cooperation between local authorities – something that is desperately needed. There needs to be an investment strategy that enables smaller, third-sector providers to continue providing essential services to children in care. The pursuit of public benefit needs to be freed from departmental silos. As it stands, outcomes which lead to savings for central government or more than one local government area are not being adequately valued. There is, therefore, a need for cross-silo procurement and for local authorities to be incentivised to pursue public benefit even if it does not directly benefit their area of control.

Regional commissioning also needs closer scrutiny. Though it may improve stability for young people, it may also be a natural environment for big organisations to thrive in. While large providers still have a minority of placements, an awareness of the impact of scale is required – particularly if smaller providers are losing share. The over-emphasis on sectoral distinctions in evaluation needs to be addressed. Insofar as large voluntary providers might have more in common with large private providers than they do with small voluntary providers, the current emphasis is potentially misleading. Further research on the relationship between scale and outcomes would be required to understand this better.

2. Residential care should be designed around the principles of co-production, with young people themselves playing a full and active part in shaping services.

The stigmatisation of the residential care sector has led to it being undermined, rather than integrated into the system as part of a range of options for young people. The use of residential care as a last resort needs to be reconsidered because better use of residential care as a positive option may help improve outcomes for many young people. Investment is needed in this form of care to tackle the problem of low morale among workers.

We also need to ensure that young people are fully involved in the design, delivery and measurement of services. **nef** wants to see a blurring of the distinction between clients and recipients, and between producers and consumers of services, through a reconfiguration of the way in which services are developed and delivered. Services seem to be most effective when people get to act in both roles – as providers as well as recipients. We need to devolve real responsibility, leadership and authority to 'users', encouraging self-organisation rather than direction from above. This is consistent with an SROI approach to measurement; engaging ***stakeholders*** in a project is about more than consultation. There is a need to create a continuing dialogue that contributes to strategic planning, permeates management systems and shapes the organisation's understanding of where value is created.

Stakeholders

Those people or groups who are either affected by or who can affect policy. This can include customers, service users, trustees, community groups, employees, funders/investors, statutory bodies, suppliers, staff, or volunteers.

Although it is still an emerging area, co-production has gained great currency in recent years. But bringing about systemic change based on this approach is no easy task; it would require a deep change in culture rather than just the implementation of a set of recommendations.

The system of measurement should be strengthened so that we can begin to measure – and build on – what really matters in children's care services.

Frontline staff consistently told us that targets rarely reflect the impact they believe their work is having. In this situation they are unlikely to respond to what the data are telling them. New measurement systems need to be embedded in the strategic planning process to ensure that performance is meaningfully monitored and services are improved. What we measure determines what we prioritise, where we invest resources and what lessons we learn about improving services. Getting what we measure right is essential to improve outcomes for children and young people, including those hard-to-quantify aspects such as health, well-being and quality of relationships. More research is required to demonstrate their link to so-called 'harder outcomes', such as health and education, to encourage policy-makers to take them seriously.

Approaches to measurement need to be consistent across organisations. It would be helpful if one model were adopted and promoted as the sector standard – a model that is consistent with other areas of service; for example, drugs and alcohol. Current indicators focus too much on procedures, processes and outputs. Outcome indicators that measure 'distance travelled' by the beneficiaries of a project are what are required. Providers should be required to systematically track young people after they leave care, and they should be funded to do so. Risk and failure need to be put in perspective. We also want to see a re-examination of how risks are managed in residential care, as well as the extent to which this is crowding out other considerations. Conversely, it would also require recognising that there can be no innovation and learning without some degree of failure.

Conclusions

In spite of its poor image, residential care continues to be an important part of overall provision for children. It can be the most appropriate setting for older children with more complex emotional and behavioural problems, and is often their preferred choice. The differences in approach between the UK and other parts of Europe may reflect, in part, how children are valued in society. A debate has emerged on this topic in recent times and should continue. The extent to which children feel valued or not is likely to be core to their well-being – collectively and individually – and will be reflected in the types of policies and services that emerge.

The Children and Young Persons Bill which, at the time of writing (mid july 2008) was completing its passage through Parliament includes a clear commitment to diverse and appropriate supply of placements, yet local authorities with tight budgets have to balance priorities between more visible, vote-winning public services – such as roads and refuse collection – and what they spend on residential care, there is a clear choice to be made here, which gets to the heart of what we value as a society. The real costs of these decisions have to be borne, by and large, by vulnerable groups and future generations that are not consulted in decision-making.

Introduction

Political discourse around public services has tended to assume that there is a direct relationship between the amount spent on such services and the extent to which they achieve their ends. Because of this, attention is often focused on whether levels of investment are enough. Politicians regularly use an increase in spending as an acceptable counter to failing services.

In focusing on ***inputs*** in this way, society has tended to neglect examining the ***theory of change*** that underpins public services, and the way in which outcomes are pursued. The care system is a good illustration of this. Increased investment has often failed to deliver a proportionate improvement in outcomes. This is not to say that we should spend less money on care, but rather that we must account for how it is spent if we are to get the most value for money and increase confidence in the system. The research presented in this report focuses on how we measure the creation of value in public services. We argue that robust measurement has the potential to reform systemic problems, including issues of accountability and service design. If we simply increase funding to a broken system, we may only achieve the same ***outcomes*** at greater cost.

This report is one of a series of outputs from **nef**'s Measuring What Matters programme, which is applying a similar methodology to three different policy areas. Measuring What Matters is a research programme that seeks ways to make the invisible value of things – essential to our well-being – visible and measurable. It is about promoting a different way of thinking about value, looking beyond what can be counted and quantified to the things that really matter to people's lives. See Appendix 4 for further information about the principles that underpin Measuring What Matters.

The aim of this strand of this research is to:

1. Set out a critique of the current approach to measurement and develop an alternative set of indicators that could be used to track real progress in the care system.

2. Pilot the use of SROI as a potential analytical framework for use in commissioning.

3. Explore the potential benefits that child-centred approaches to residential care may bring about if a long-term, outcomes-focused approach is taken to commissioning.

Report structure

The report begins with an explanation of the policy background to provide some context for the research, and then sets out what is wrong with the way we measure services to looked after children at present. It goes on to sketch out an alternative vision and presents a set of indicators that better reflect what matters to children. This is followed by a summary of findings from our SROI analysis and a description of how those calculations were derived. We conclude with recommendations for improving how services are commissioned, designed and measured. A detailed description of the methodology used is contained in the appendices, as are the detailed calculations, assumptions and ***proxies*** that were used.

Inputs

The resources that an intervention uses to carry out its activities and operations. These include funding, premises, goods-in-kind and time donated by volunteers.

Theory of Change

Defines all building blocks required to bring about a given long-term goal. This set of connected building blocks – interchangeably referred to as outcomes, results, accomplishments, or preconditions – is depicted on a map known as a pathway of change/change framework, which is a graphic representation of the change process. This model has been developed by the Aspen Institute. www.theoryofchange.org

Outcomes

The changes that result from your organisation's activity – for people, communities, the economy or aspects of the natural or built environment. They come either wholly or in part as a direct result of the organisation's actions. Outcomes are sometimes planned and are therefore may be set out in an organisation's objectives. The indicators that the outcomes have happened are what an organisation measures to know that it is meeting its objectives.

Proxies

In selecting indicators there is a trade-off between data availability and accuracy. When data is unavailable or difficult to obtain, proxies may be used.
A proxy is a value that is deemed to be close to the desired indicator. For example the overall regional unemployment rate may be used as a proxy for the local unemployment rate if the required data are unavailable.

The policy context – residential care in the UK

'These (children in residential care) are the most vulnerable children within the care system but little is known about the size of this population, their needs, the placements provided for them, support services and, most importantly, their outcomes.'
NCERCC[2]

1: Child well-being in the UK

A 2007 UNICEF report on child well-being ranked the UK at the bottom of the league table of 21 industrialised nations. It looked at 40 indicators from the years 2000–2003 including poverty, family relationships, and health[3]

One of the report's authors said the UK's poor ratings were down to under-investment in children's services and a 'dog-eat-dog' society. 'In a society which is very unequal, with high levels of poverty, it leads on to what children think about themselves and their lives. That's really what's at the heart of this.'[4]

The report also sparked widespread debate on attitudes towards children in the UK; how these compare to those in other European countries; and the extent to which children in the UK are valued as part of society, or segregated from it.

Background

Caring for children who cannot be looked after by their parents is one of the greatest public service responsibilities that the state takes on. Recent times have seen investment increase at a faster rate than the number of children in care[5,] and care services now make up two-thirds of the entire budget of children's services[6]. Perhaps in response to its previously poor image, the state has been recast in recent years as a 'corporate parent'. Huge efforts have been made to rebrand residential care in order to counter the Dickensian image with which it is often associated.

Of the 60,000 children in care, about 7000 are placed in residential children's homes. In previous decades, residential care tended to be used more extensively and at an earlier stage of intervention. Today there is a greater emphasis on the use of foster, or kinship care – in contrast to continental Europe where there is still a preference for residential care[7]. In the UK there is also an emphasis within the residential care environment on trying to recreate the scale and atmosphere of a family.[8]

Hicks et al. suggest this may represent a cultural shift in values away from collective responsibility and towards individualisation[9]. It is useful to remind ourselves of a broader context here. In European countries children are seen more as 'public goods' (rather than the sole responsibility of parents) than they are in the UK. Children's limited role in our society is cited as a central factor in the dismal ranking of the UK in the UNICEF study of child well-being (Box 1). Residential care workers can be paid close to the minimum wage, which is in itself a measure of the value that we place on outcomes for children in care.

Although the image of abuse and neglect is largely in the past, there continues to be a link between residential care and poor outcomes. Young people who have been in care are over-represented among rough sleepers, prisoners and drug users. They are also more dependent on health and social services than the average citizen. This is often characterised as a failure of local public services. As explained in the next section, however, this view is simplistic. It fails to take account of the family context prior to entering care, which often increases the likelihood of these children having poorer than average future well-being.[10]

Residential child care continues to be seen as expensive. This is in part because the funding it consumes far exceeds its 13 per cent share of total care provision for children. This means that it appears to be poor value for money, especially given its disproportionate share of negative outcomes. Seventy-three per cent of children whose last placement was residential care fail to get even one GCSE[11], and statistics like this are sometimes used to support the argument that residential care is a costly failure that has no place in a modern care system.

The 'value-for-money' picture is, however, more complex than this. The unfashionable nature of residential care in the UK and the automatic preference for fostering help ensure that only children with the most complex emotional and behavioural needs are placed in care homes. This means that judgments as to the adequacy of residential services can be hampered by the distorting effects of having to deal with such a high proportion of the most challenging young people[12]. Countries such as Germany have much greater stability and lower turnover rates, but they do not have to contend with the disadvantaged position that care homes have in the UK, where residential care is seen 'as a final resort, or emergency option, rather than a positive long-term choice'.[13]

The market for residential services

Children's residential services are increasingly spot purchased, and in some cases commissioned, through a competitive tendering process. Providers compete with each other for contracts that local authorities put out to tender. Elsewhere **nef** has been critical of this approach to providing services, particularly for vulnerable groups.[14] A full analysis of the impact of contestable markets is outside the scope of this research but it is worth briefly exploring two impacts: the sustainability of small-scale providers and the role of price in placement decisions.[15]

In the 1990s, many large, private-sector providers were attracted into the residential child-care market by a shortage of placements and 'historically high profitability and return on investment'.[16] This led to oversupply, which has enabled local authorities to bargain harder on costs and put downward pressure on prices across the sector. In 2006, PricewaterhouseCoopers (PwC) was commissioned by the then Department for Education and Skills (DfES) to carry out a study of the market for children's services. They found that the 'low occupancy levels at present are not sustainable, and declining profitability will drive some players out of the market or into administration until supply corrects'.[17]

The intention behind the PwC study was to look at the barriers to contestable and competitive markets within the sector. Its findings were influential in shaping government thinking on the future supply of residential care. It was, however, based on a number of flawed assumptions:

- An efficient market holds the key to better outcomes for young people because it forces out poor performing providers until only the most efficient remain, at which point supply and demand reach equilibrium.

- Markets are value-neutral and therefore an effective aid to decision-making.

In reality a truly efficient market relies on the measurement of short-term outputs to operate. This means efficiency cannot be measured over a generation, which is the timescale of change that commissioners should be concerned with. In addition, prejudice rather than evidence plays too great a role in placement decisions, irrespective of contestable markets. Commissioners, therefore, are themselves influencing the outcome of the market and undermining any natural tendency towards equilibrium.

Most alarmingly, background research for this report would suggest that the 'correction' advanced by PwC is negatively affecting smaller, niche, and in particular voluntary-sector providers. While large companies can withdraw from the market and chase higher returns elsewhere, smaller organisations cannot rationalise services, or withstand downward pressure on prices in the short term with the promise of higher future returns. A recent study into the sustainability of voluntary providers across children's services found that: 'smaller VCS (Voluntary and Community Service) organisations are in a vulnerable position when faced with the challenges of adapting to changes in children, young people and family services'.[18] There is a danger that these dynamics may be impacting the quality of care that children in care receive.

In the absence of good-quality information on the long-term costs and benefits of placement decisions, unit price (rather than whole-life costs) becomes the primary basis on which decisions about a provider are made. But this approach is not good enough. It fails to account for externalities, or the long-term preventive impacts of social-care interventions. It also fails to account for activities that lie outside the marketplace, such as volunteering.

Where unit price is king, this favours those organisations that are able to achieve efficiencies of scale and cross-subsidise services to reduce unit costs. In reality, some of the organisations that are least able to compete on price may be those that are also achieving the best outcomes in the long run, including from a cost perspective.[19] Several recent studies confirm this. A study by NCERCC, for example, found that price was often the key factor in placement decisions. It quoted a commissioner, off the record, saying that 'you have to shortlist them because they have really good policies and procedures and they are the cheapest'.[20]

The 3 per cent year-on-year Gershon efficiency savings[21] exacerbate this focus on unit price further. Gershon has discouraged the pursuit of long-term 'non-cashable' savings in favour of securing short-term 'efficiency gains'. These efficiency savings, should they exist,[22] are more akin to short-term returns to one shareholder (the state) than the pursuit of long-term benefit for all stakeholders (young people, parents, carers and society more generally).

2. Case study – The Catholic Children's Society

The Catholic Children's Society had a long history of providing residential child care, and had a good reputation in the sector. It was prepared, in particular, to take children that had higher needs. In an environment of competitive tendering it became more difficult for the society to operate. The move away from block contracts and towards spot purchasing threatened its ability to plan for the long term. Eventually it closed its doors in 2006.

The future of residential care

The 2006 Green Paper recognised a continued role for residential care, stating that for some children it will always be the placement of first choice.[23] Furthermore, a recent study predicts a growth in the demand for residential provision. The authors believe residential care should be retained as an option for long-term planning in children's services, pointing to the increased levels of need that are likely to be created by a rise in the teenage population, changes in the preferences of young people and the increased scarcity of foster places for teenagers.[24]

The recent White Paper on the future of care set out ambitious proposals to improve outcomes and address gaps in well-being between young people in care and those raised in supportive families.[25] It is noteworthy that this was the first time that the 'gap' was characterised in terms of a well-being gap, suggesting a shift away from focusing primarily on educational attainment. The Government's change in emphasis was backed by a £305-million package in the 2007 Comprehensive Spending Review and new health and well-being performance indicators. There has also been a commitment to a diverse and appropriate supply of placements that is being reflected in the Children and Young Persons Bill which, at the time of writing (mid july 2008) was completing its passage through Parliament.

The challenge for Care Matters, however, is that local authorities with tighter budgets now have to balance priorities between 'visible and vote-winning' public services, such as roads and refuse, and an increased spend on residential care. Throughout this research, participants welcomed the aspirations behind Care Matters. The question is whether the current purchasing environment will consign these to mere aspirations, rather than having the transformative impact that is intended.

Making measurement more child-centred

‘It is not nearly as bad to explain a phenomenon with a little bit of mechanics and a strong dose of the incomprehensible as to try to explain it by mechanics alone’
Georg Christoph Lichtenberg[26]

‘There are too many rules - sometimes it feels like life is run by policies and procedures. It feels like being in care is pushed in your face all the time – you are constantly reminded that you live in a care home’
Young Person in Care

What are we trying to achieve by raising taxes to fund services with public money? What quantity of taxes will be required?

With increasingly finite resources, how should we prioritise between competing ends? What non-financial incentives can we use to motivate those working for the common good? How can governments be held to account for the decisions that they make on behalf of those that elect them?

These are profound questions. Measurement, in all of its various forms, should help us to answer them. More often, however, measures focus on the mechanics rather than the bigger picture. They end up ignoring things that may be more difficult to measure. Professionals may become so focused on meeting a narrow set of targets that they lose sight of the point of what they are trying to achieve. For example, is our obsession with risk and harm minimisation partly to blame for social workers now spending up to 70 per cent of their time behind desks?[27]

Measuring What Matters challenges the idea that difficulty or complexity in measurement is an excuse for relying on mechanics alone. It advocates not only better indicators but also moving towards a jigsaw approach that draws upon qualitative, quantitative and economic data. By piecing these elements together we can achieve an aggregation that is useful to decision-makers. We can also gain understanding by looking at the thread of the story that is created.

This section of our report sets out what needs to happen to achieve a more child-centred approach. The analysis was developed through desk research and interviews with practitioners. Examples from the research are used to illustrate the points where possible.

Measuring the right things

One size does not fit all

Measures tend to be designed for majority groups, in this case the general care population. But this means that they tend not to be suitable for those with more complex needs. The five Every Child Matters (ECM) outcomes are a good illustration of this. They are regularly cited as universal aims that should apply to all young people. But they are not precise enough to reflect the specific priorities of children in care. For example, the emphasis on 'educational attainment' in ECM means that a certain cohort will always be seen to perform badly. This is likely to put services that work with this group at a disadvantage, whereas initiatives that target mainstream groups are more likely to attract support and make progress.

This is not to say that we should have high expectations of children that are looked after in residential homes. But we need to use the right benchmarks to measure progress in a meaningful way. This includes allowing for differences according to the age profile of the young people involved. The indicators used tend to be the same across age ranges, and yet our research suggests that different things matter to young people of different ages. An 11-year-old, for example, is less likely to be concerned about career prospects than a 16-year-old.

Making the important measurable

For too long, policy-makers have passively accepted that 'intangibles' are not measurable. Instead, they have measured and focused efforts around things that are easier to count and therefore easier to measure. Why, for example, do we measure how many dental appointments or GP visits a young person has had and not whether his or her dental, physical or mental health has improved? An increase in GP visits, rather than reflecting improved health, might mean the opposite. This is the problem with assuming that outputs are a measure of change.

There is some evidence that even an awareness of outcomes has the potential to drive up performance. A project in Australia found that where social workers and carers simply recorded outcomes for each individual, this led to improvements through more effective case planning and management and in turn improved outcomes.[28]

Taking child self-reports seriously as part of outcomes measurement is essential. In the current indicators, there is a strong emphasis on physical health. While physical health is certainly a factor in well-being, it should not be given greater weight than how people feel about themselves, their lives, their relationships and social interactions, and the extent to which they feel autonomous and in control. Positive well-being should also be taken into account. For example, relieving feelings of anxiety and depression may be particularly important for some people – even if this is not as easy to quantify as indicators of physical health.

3. Measuring well-being in children and young people

nef has been pioneering the use of subjective well-being measures as an alternative to outputs, processes and other mechanistic measures in public policy. A survey in 2004 of the well-being of 500 young people in Nottingham found that:

- Children who are unhappy at home are three times more at risk of being amongst those reporting lower levels of well-being.
- Children who listed sports as their favourite activity were significantly more likely to have higher levels of well-being.
- The quality of children's experience at school appears to be a crucial factor in enhancing their capacity for personal development; however it is less important in terms of their life satisfaction.
- Well-being falls substantially as children get older.

Measuring resilience rather than risk

In a society that has become increasingly individualised, individuals that are less likely to be 'at risk' increasingly prefer to 'go it alone' rather than pool risks with those they see as more likely to need help. Public services in the UK have become increasingly risk averse, and there have been a number of reports outlining the negative impact of this in recent times.[29,30] In many policy areas, government seeks to minimise risks of harm to individuals or to the general populace. But focusing on measuring policies and procedures that are geared primarily towards risk minimisation can, if taken too far, crowd out other important policy considerations and objectives. (http://www.riskcommission.org)

'I can't have friends round to my flat without them having had police checks. They want you to act like an adult but then you can't have people around to your house, so you don't feel like an adult.'
Care leaver

This focus on risk minimisation is nowhere more evident than in services for children in care. One recent study found that social workers were preoccupied with risk at the expense of attention to the wider needs of the child;[31] another has called for 'a critical re-examination of the dilemmas around risk and the way it is managed within the bounds of good practice and procedural requirements'.[32]

In our research young people told us that throughout the care system they felt that their lives were dominated by policies and procedures, which created feelings of institutionalisation. This went as far as girls not being allowed to keep candles in their rooms; boys not being allowed to keep hair clippers; and fridges being alarmed. This contrasts with the elements that young people identified as characterising a pleasant home – a sense of 'normality' and homeliness. This begs the question as to whether attempts to ensure that no harm is being done actually undermine the chance to do good.

Kendrick suggests that the concept of resilience increasingly offers an alternative framework for intervention and measurement, with the focus being on the assessment of potential areas of strength for young people rather than conventional policy targets. Unfortunately this is currently the kind of work that is 'squeezed in' or seen as a luxury.[33] Resilience is defined as 'the capacity to transcend adversity' and 'a guiding principle when planning for young people whose lives have been disrupted by abuse and or neglect and who may require to be looked after away

from home'.[34] As NCERCC has pointed out, measuring resilience 'captures the notion that there is no such thing as a child on their own…there need to be relationships with close carers and others. The effects of these relationships balance the intrinsic qualities of the person along with extrinsic factors'.[35]

Measure assets and strengths, as well as needs and deficits

This research is in part about creating a change in culture – from removing 'bads' to achieving 'goods' – and understanding what enables people to flourish. Typically, government's approach to policy-making is to focus on deficits – what people lack or why people fail. Sometimes this is necessary, in order to find out what people need from the state – in determining access to public services, such as housing and health care, for example. Sometimes, however, it can become the defining feature of a service. Children in care are five times more likely to be allocated to special schools, even when their disabilities are less serious than those of other children in mainstream schooling.[36] Kendrick et al. found that social workers and carers often hold low expectations concerning the educational achievement of children in care, with the result that social workers are reluctant to set what they see as unrealistic goals.[37]

The concept of 'stereotype threat' – which refers to being at risk of confirming a negative stereotype about one's group – has been empirically confirmed in numerous academic studies.[38,39] In surveys of carers and young people carried out as part of this research, we found that carers were three times more likely to report negatively about the well-being of the children they cared for than the children themselves. There is a real danger that this represents institutional negativity of the kind that will undermine some children and doom them to failure. An example of how we shifted the emphasis to the positive in this research was in exploring the elements of what constituted a young person's safety, rather than the risk that they will offend. Contact with the criminal justice system is of course part of this, but there are other factors such as ability to ask for help, or recognise risk that are also important and could help build a young person's resilience (see indicators p. 23).

4. European comparisons – social pedagogy and risk

Social pedagogy is a system of theory, practice and training that supports the overall development of the whole child. It can be defined as 'education in the broadest sense of the word'[40] Social pedagogy takes a holistic view of young people – looking at all aspects of a young person's life skills.

The essence of social pedagogic practice is the conscious use of relationships between carers and those living in residential care to help young people to develop their life skills safely and without fear of rejection.

In our survey of carers in the UK, some reported as little as 17 hours of face-to-face contact per week with the young people in their care. By contrast, in social pedagogy the emphasis is on group activities and on incorporating everyday tasks, such as cooking or housework, into the therapeutic/educational process. This is fundamantal to therapeutic child care but is not understood or valued in the UK.

A 2006 study by Petrie and colleagues that compared the UK to Danish and German systems found a marked difference in the way risk was approached by carers. In one of the vignettes, researchers asked staff what they would do if a child woke up crying during the night. European staff were more likely to answer that they would give the child a hug, or make a hot chocolate. UK staff, on the other hand, were more likely to answer that they would check the policies and procedures. The researchers suggested that this difference was accounted for in part by carers' training in Germany and Denmark, which enabled them to be confident about using their personal judgment, rather than the more typical UK approach of relying on procedures. A social pedagogic approach also fits with the principles of co-production discussed later.

In an article on the subject, Madeleine Bunting has written that 'the irony is that just as the UK begins to grasp something of the rich idealism of the concept of pedagogy, Denmark is beginning to import the Anglo-Saxon preoccupation with value for money and measuring effectiveness'.[41] Although they are laudable concepts in themselves, value for money and measurement have lost their currency in the UK residential care context because they have been so misused and over-emphasised. Value for money has become associated with cost cutting, measurement with excessive bureaucracy and risk aversion.

Measuring the right way

Measure with people

Throughout this research, young people told us that how they feel about themselves and their relationships matters more than anything else. Yet there is a glaring absence of any measures that relate to this. Measures instead tend to fit overwhelmingly with government priorities – educational attainment, reduced crime and teenage pregnancy being examples of this.

Beecham, when writing about care, said: 'Judgements and values are particularly closely involved in creating measures of outcome. The values implied by these outcome measures are typically held by practitioners, or researchers. Recipients may hold other values.'[42]

That education is protective for young people is not in question. But the manner in which it is measured and the way that the information is then used seem to be problematic. For instance, there is not a clear evidence base behind the focus on five A-Cs at GCSE as a benchmark of educational attainment, as opposed to other qualifications. Shaftesbury Young People has had great success in getting its young people, against all odds, to sit exams. Although they do very badly it is such a positive experience that it should be regarded as a real measure of success for the organisation. Those taking the exams learn all sorts of skills simply by participating. But because this does not meet government targets, it is not valued by government. This highlights the problem with a single-stakeholder approach to measuring value; one that favours what government is looking for rather than what the users of public services value.

Targets with a bias towards one powerful stakeholder can end up distorting service provision rather than driving performance improvement across the board. Research participants have also told us that the Government's GCSE attainment targets tend to incentivise teachers to give special attention to those most likely to perform well.

Teenage pregnancy figures, used as an indicator of failure in social policy, are also open to debate. While some stakeholders rightly put forward good reasons why young parenthood is a matter of policy concern, some of our research participants did not necessarily see teenage pregnancy as always an appropriate measure of failure. To these respondents, becoming pregnant at a young age might be a bad thing for some women but it could also be a positive turning point in the lives of others.

One of the participants, when talking about a girl who had recently had a child, described this as 'good for her but not good for our targets'. Hoggart's work with teenage mothers echoed this: she found that most women had not become pregnant by mistake, were not unsettled or unhappy and felt positive about becoming mothers.[43] This doesn't mean that teenage pregnancy should no longer be a concern, but it demonstrates the difference that can be made when taking a person-centred approach to developing indicators.

There are also problems with how we measure criminal activity. Children may not be convicted for offences committed prior to entering care until after they are in care (these offences may even be the reason why they are placed on a care order). This means that crime statistics may be unfairly and inaccurately attributed to the care experience. This is a particular problem with children in residential care: an environment in which a crime is likely to be reported for a misdemeanour that would not be referred to the police by parents or siblings in a domestic situation. The overall impact of this is to fuel a public perception that children in care are 'delinquent' and the failures in the system are endemic. Recording in-house crimes brings children that are already at risk of offending into contact with the criminal justice system at a young age, which risks undermining any respect they might have for authority.[44]

In the care system there is a poor connection between performance indicators and how they feed into service development. This may reflect the fact that the indicators are often top down, which means they are not relevant to stakeholders or are not trusted by them. The Commission for Social Care Inspection reported in 2005 that children's care homes were improving their processes but warned that these improvements had not always resulted in better outcomes for children. There is very little evidence that the achievement of targets translates reliably into improved outcomes. If the measurement data bear little relevance to the outcomes that really matter to young people, then what is the point?

Benchmarks, baselines and 'distance travelled'

As pointed out in previous research by nef, too often it is assumed that there is a direct cause-and-effect relationship between investment and outcomes.[45] This makes measuring impact very challenging, as Beecham points out:

'To say that a service is effective in the absolute sense is, in most cases, to say that it brings about an outcome that would not have occurred had the service not been provided. In practice similar individuals often receive different services, while some who receive a service are similar to others who get no service at all.' [46]

While this is clearly true, using the most appropriate benchmarks would give us a good starting point. For example, for children in care – particularly those with the most complex needs – other 'in difficulty' groups might be a more appropriate benchmark than the general population of young people. Cameron et al. carried out a retrospective study of care leavers in adulthood and found that they did better educationally over the long term than the 'in difficulty' groups in their study who had no history of accommodation in public care.[47] Similarly, a University of York study using a composite measure of progress found that three-quarters of young people leaving care were making progress towards, or had achieved, positive outcomes.[48] There is a need for tracking until the age of 25+, when looked-after children are often found within the average range of the general population.

Another useful benchmark would be to look at what was happening before children came into care and whether there has been a relative improvement in their lives. Collecting proper baseline data when children enter care would enable the measurement of distance travelled. This is challenging because young people move in and out of care. But it is also very important because local authorities cannot be expected to repair years of abuse, or neglect, overnight. That prior experience matters is evidenced by the fact that children tend to fare worse if they come into care at a more advanced age. It is not enough to measure outcomes unless they are the right ones, measured in the right way:

'These outcome measures are crude in three respects: they detach young people in care from their socio-economic backgrounds…they fail to take into account young people's "starting points" … [and] progress they have made [and] major achievements... often go unacknowledged. They also focus primarily on educational attainment and careers, and separate these from other inter-related dimensions of young people's lives, most importantly their well-being.' [49]

5. The challenge of valuing benefits

"I went into foster care at age four. I was in three foster-care residential children's homes in total at that point. I went back home for a while but then back into care at 14. My Nan took my sisters in but not me. I knew I would be passed around residential children's homes. I spent two years living with Nan but was then put into a psychiatric hospital for two years. I have agoraphobia, so I don't feel safe outside. I am scared to go out in general plus I can't interact well with people outside and always end up with them trying to get me. I didn't do well in my course after school. I have been in four children's residential children's homes in total and about five foster placements. There are no activities in most foster care; they just leave you in your room. I have been at Bryn Melyn Care Ltd for two years and it is the only positive place that I have been. They trust you like a person and are nice to you. One of the hospitals I was in was also nice but everywhere else was horrible and abusive. Here they listen to you and let you be yourself. Staff relationships are the only ones that I have at the moment, so that is crucial. Contact with my birth family is not important to me because I do not get on with them. I wish I had never been in school because I was bullied badly. I am a Goth and people don't respect me because of that. They have done their best with my mental health but I need professional help. Nonetheless, having people to talk to has been really helpful. I have attempted suicide a number of times and this rescued me. To be honest I would probably be dead if I hadn't come to this home".

'Julie', Bryn Melyn Care Ltd

Rather than a blunt snapshot at age 16, we would advocate the use of tools such as the 'outcomes star' that are being used in the housing and mental health fields to measure distance travelled by individuals. These measures can also then be aggregated to gauge the added value of the care provider (see Appendix 7).

Economic analysis – a health warning

The 2006 Green Paper states that between 2000/2001 and 2004/2005 the total expenditure for children in residential care increased by around £230 million and by around £330 million for those in foster care. This represents increases of 20 per cent and 44 per cent in real terms respectively, while at the same time the care population only rose by 3 per cent. As mentioned earlier this increase in investment has not been accompanied by a proportionate improvement in outcomes. Only by looking at the long-term, social return will we be able to take a view on whether or not this was money well spent.

There is much academic interest in the residential care system, particularly in why good outcomes have remained so illusive. As Hicks et al. point out however; studies of children's care rarely include an economic component.[50] Where this does happen it tends to look at cost effectiveness – how efficiently are services delivered – and there is a dearth of studies that attempt to measure socio-economic outcomes for young people and society generally, and aggregate this value across a wider population.

Economic analysis in the wrong hands can have a distorting effect. For example, because prison costs are high they may have a disproportionate effect on the overall picture. But this does not necessarily mean that reducing crime as an outcome for society should be valued above other considerations, such as health, education, or well-being.

Therefore any discussion of costs and benefits needs to include a discussion of value that goes beyond pounds and pence. The economic analysis needs to inform not dictate the narrative; to reflect stakeholders' priorities instead of driving or overriding them. For this to happen, sound judgment needs to be exercised in the selection of appropriate proxies for outcomes measurement, and in the use of those proxies to plot the value of residential care provision over time.

A new way of measuring – two case studies

‘They [the local authority] wanted to move me to London just before my GCSEs and the staff had to fight hard to keep me here. They [the local authority] do this because of money – they see you as money. I ended up doing well in my GCSEs but might as easily not have. Staff are not in it for cash but a lot of the system is. Lots of them want to change things for the better and it is frustrating for them as well.’

Young person in care

Introduction

So far we have highlighted concerns with the current approach to measurement and outlined some approaches to making it a more child-centred process. In this section, we more fully develop an alternative way of measuring change –SROI. We use this approach to interrogate the second aim of this study, namely whether enhanced or more child-centred models of care might lead to better outcomes for children in care, their families and wider society. We worked with two organisations that were identified as having a good reputation in the sector: Shaftesbury Young People and Bryn Melyn Care Ltd.[51]

Our research found that for every additional pound invested in higher quality residential care, between £4 and £6.10 worth of additional social value was generated. In one of the case studies we were able to aggregate this across the population of young people in residential care, which suggested that it is equivalent to almost £700 million in value over 20 years. Put another way, the savings would pay for the entire annual bill for children in care.

This is a small-scale study. Its results are indicative, rather than definitive, of the kinds of savings that might be possible. But our research has highlighted gaps in the existing evidence, and aims to promote the wider use of SROI economic analysis to help fill such gaps. Where there are specific lessons for the broader residential sector, we will draw these out.

A theory of change and a new indicator set

Given that SROI is about giving a financial voice to excluded values and benefits, the process of engaging with stakeholders and selecting benefits to focus on is critical. A full description of these stakeholders and their objectives is outlined in Appendix 3.

6. Stakeholders we spoke to

- Children in care
- Care leavers
- Carers
- Managers of residential children's care homes
- Representatives of other organisations working with children in care
- Department for Children, Schools and Families

We know that levels of participation in residential care are variable across the country. NCERCC research has found, for example, that some organisations lack skills and expertise in this area, and that participation is often seen as an event, rather than a philosophy or way of working.[52] Consultation in public services is generally about extracting information whereas stakeholder engagement,[53] when truly participative, is more consistent with a co-production approach. Stakeholders are included not only in designing indicators but also in a continuing dialogue that contributes to strategic planning, permeates management systems and shapes organisations' understanding of where value is created. In particular, engagement (when done well):

- creates accountability to users of services – those for whom money is being spent;
- helps ensure that organisations are measuring and delivering services in the most effective way;
- prioritises activities that are having the most impact;
- minimises risk of unintended consequences from weak indicators, or proxies; and

7. Engaging stakeholders[54]

Undertaking meaningful and sustainable participation requires organisations to change.

Participation is a multilayered concept: organisations need to understand these complexities and apply them appropriately, if participation is to be inclusive of all young people and encompass all decision-making that affects them.

Meaningful participation is a process, not simply the application of isolated, one-off participation activities or events.

Strategies designed to address both personal and public decision-making are needed to fulfil the rights of children and young people under the UNCRC [United Nations Convention on the Rights of the Child], to be sure that they are involved in all decisions affecting their lives.

Listening needs to influence change. Taking account of what children say is what makes their involvement meaningful.

Acting on children and young people's views brings positive outcomes: in-service developments; an increase in young people's sense of citizenship and social inclusion; and an enhancement in their personal development

There are different cultures of participation. Organisations need to be clear about their reasons for undertaking participation, and how they plan to develop this work

- gives organisations legitimacy in relation to how they choose to run their businesses.

For our purposes it became clear that more specific outcomes and indicators would need to be developed around the ECM outcomes, in order to reflect the needs and strengths of children in residential care. In this research, the value of engaging stakeholders was borne out by the fact that outcomes and indicators changed as a result of this process. Specifically, the following changes occurred:

- We originally had teenage pregnancy in the theory of change because reducing it is one of the Government's objectives for children and young people's services. However, children and their carers told us that getting pregnant was not necessarily a negative outcome for a young woman: in some instances it was motivation for women to turn their lives around. We therefore removed it from the analysis as a cost or benefit to young people. We retained it only in our economic analysis as a benefit to the state, as government policy has identified it as a priority across children and young people's services.[55]

- We included self-harming as an indicator of mental health outcomes. We acknowledge, however, that this can be a more complex issue than is often recognised. For example, new thinking on the issue holds that self-harming is not a precursor to or an indicator of suicidal ideation, but can be a way of expressing other concerns. Externalising these concerns helps with their management. As one young woman put it: 'I do it to get attention…it is better than going out and robbing.'

- It was suggested to us that the challenge with young people was preparing them to be able to take control of their own lives. One of the ways in which carers sought to instil a sense of responsibility at Shaftesbury Young People was through health. Young people were encouraged to make and keep their own appointments and it was suggested that this responsibility should be measured instead of the number of dental appointments, which is one of the current health-related measures.

- Other changes that resulted from stakeholder engagement included:
  - Measuring the extent to which young people are victims as well as perpetrators of crimes.
  - Measuring the frequency and severity of crimes as part of assessing distance travelled.
  - Recognition of the importance of learning autonomy and control early in young people's lives relative to the mainstream population.

8. Materiality – when it is not possible to measure everything

Materiality is a concept borrowed from accounting that helps evaluate whether a piece of information, if excluded, would significantly misrepresent the conclusions a person comes to about an organisation's activities. We put this concept into practice by engaging a group of young people to help prioritise the indicator set originally developed from discussions with stakeholders.

A session was conducted with young people from Shaftesbury Young People in which all the indicators were displayed around the room. They were given sticky dots and asked to use them to pinpoint those indicators that were most important to them. They could put one dot on each indicator, or all of them on one if they wanted. The young people overwhelmingly voted for things like 'feeling good about yourself' and 'having friends'. Government priorities such as 'doing well in school' were far less popular. One girl commented: 'I don't get good grades, so that is not as important to me.' One boy who encouraged others to choose 'feeling good about yourself' said: 'It is the most important –nothing else matters when you feel good about yourself.'

Outcomes and indicators are important to the construction of an organisation's theory of change. The theory of change tells a story about how an organisation or intervention affects change – that is, how it delivers on its mission and objectives. By linking inputs through to outputs, outcomes, and impacts, a theory of change charts the logical flow from planning and resourcing through to the value that is created for each stakeholder. It is the basis on which the value that an organisation is creating can be understood, and should always be informed by discussions with stakeholders as described earlier.

Although presented in a linear fashion, Table 1 is not meant to read as a simple cause-and-effect model. It is not easy, for example, to express outcomes in terms of the various domains of young people's lives, such as health and education. This is because all these domains are inter-related. Outputs that relate to government departmental categorisation have traditionally been used to measure outcomes. But because outcomes in this case are centred on the person, as discussed earlier, traditional output measurement fails to capture the complexity of what is going on in young people's lives. For difficult-to-measure outcomes we would advocate using more than one outcome indicator. It is preferable, where possible, to use complementary subjective and objective indicators. An alternative set of indicators is set out in Table 2. This is not a complete or finite set, rather an example of the kinds of things that would be used in this scenario. Given that the outcomes are inter-related the indicators also over-lap with each other and across outcomes. Ideally they would also be constructed to measure distance travelled (see Appendix 7).

Table 1 – Impact Map

Inputs	Activities	Outputs	Outcomes	
Sufficient investment in education, helth and well-being Well-trained, committed staff Child-centred model of care	Pychotherapeutic service 1:1 support Social events innovative ways to engage young people Support relationships with birth families	Positive engagement with services and staff Increased no of hours spent working directly with the child Participation in extra-curricular activities Stable Placements	Improved psychological and emotional health.	BETTER TRANSITIONS FROM CARE
Sufficient time to work with young people individually	Wrap-around services Legal advice Independent advocates	Attendance at appropriate education, or training Increased no of hours spent working directly with the child	Ability to form and maintain healthy relationships	
Long-term planning and commitment to the child	Physical health information Sexual health information Sex education	Involvement in sports Healthy diet Improved access to services	Improved physical health	
	Children involved in all aspects of decisions about their lives	Improvements in basic skills. Young people make and keep own appointments	Autonomy and Control	
		Safe physical environment Ability to recognise unsafe situations. Less contact with the criminal justice system	Increased safety and reduced offending	

Table 2 – Outcomes and Indicators

Outcome	Indicators
Improved pyschological and emotional health	• Young Person reports improvements in self-awareness, tenacity, confidence etc. • Young Person tries new things, takes on new challenges • Young Person reports having someone in their life that they can trust • Young Person reports feeling well cared for • Improvements in symptoms of depression/anxiety • Fewer behavioural problems • Staff report improvements in pro-social behaviour e.g. interacts better with staff, is more helpful and participative
Improved psychological and emotional health	• Number of peer relationships • Staff/self report on levels of bullying (victim and perpetrator) • At least one positive attachment with an adult • Significant relationship with birth families for those that want contact (self/ carer report) • Diversity and range of networks/relationships • Ability to manage challenging relationships e.g. those with authorities (self-authority report) • Contact/involvement with the local community while in care (e.g. using leisure centre, local services etc.) • Young person maintain relationships with carers after leaving care home
Progress in education and skills	• Missed five weeks of school of more per year • Number of schools attended in the past three years • Number of permanent exclusions • Level of basic skills (life, domestic, problem-solving, budgeting, social) • Progress to Year 11 • Improvements in goals and aspirations (teacher reports) • Self-reported enjoyment of learning, well-being while at school and appropriateness of learning environment
Autonomy and Control	• Young person feels that s/he has been consulted on care planning • Control over choice of placement (self-report) • Level of participation in design and delivery of services (co-production audit) • Young person make and keep their own appointments with professionals • Young person feels confident that they can take care of themselves
Improved physical health	• Involvement in sports • Self-reports on tiredness, weight etc. • Frequency and severity of drug and alcohol use • Diet and sleep patterns (monitored)
Increased safety	• Avoidance of high risk situations (self-report) • Frequency of contact with the criminal justice system (victims and offenders) • Severity of offences • Reduced harm to self and others • Young person feels safe going about daily routine (e.g. walking home)

Using financial proxies

This research aims to demonstrate how a new approach to measurement could enable better decision-making and improve our understanding of where value is being generated. The process of gathering economic data and exploring proxies for value is a useful one in that it draws out many of the tensions about where we should be committing resources and provokes a more mature, if difficult, debate. In response to the lack of data we encountered, a different approach to deriving the calculations was used for each organisation.

The financial values used were based either on existing research on cost savings, or on data derived through proxies generated by the research team. While these proxies were subjective, use was made of sensitivity analysis[56] to test their robustness. This analysis aims to be 'vaguely right, rather than precisely wrong'. This means that where a number is not likely to impact on the overall return, fewer attempts have been made to find a better financial value, or proxy. (Detailed calculations, including unit costs, proxies and outcome probabilities, can be found in Appendices 5 and 7).

Although many of these calculations overlap – the outcomes could be happening to the same people at the same time – it is important to point out that this is not double counting. Measuring What Matters seeks to value the costs to the individual of multiple types of disadvantage. For example, having a drug problem and a criminal record is more costly to the individual than a drug problem alone. This is what is distinctive about SROI in relation to other valuation methods.

Shaftesbury Young People

The Shaftesbury Young People analysis focused on the impact of services on one outcome from our study group, the numbers of young people that were 'NEET' (not in education or training) when they left its care. The data we collected from this were compared to a study that is more reflective of the residential sector as a whole.[57] Although this study is small-scale, it is open to statistical generalisation. It was used by us in the absence of a more robust source.

Our research found that for every additional pound invested in the higher-quality residential care at Shaftesbury Young People, between £4.40 and £6.10 worth of additional social value would be generated over 20 years. For this study we were able to aggregate this across the population of young people in residential care at any one time (6600). Although a hypothetical scenario, this approach suggested that the social value of what Shaftesbury Young People offers is equivalent to almost £700 million over 20 years. In other words, a saving that would pay for the entire annual bill for children's care in the UK.

Bryn Melyn Care Ltd

The approach taken for the Bryn Melyn Care Ltd analysis was the more traditional SROI approach of putting financial values on all of the indicators, using financial proxies for things that do not have a market value. We calculated that for every pound invested, £4 of social value would be generated over 20 years. This was calculated based on the 31 young people in Bryn Melyn Care Ltd at the time of the study. It has not been aggregated for a larger population, as this would require estimates of the numbers that fit this profile within the care system, and these were not available to us. Specifically, our analysis was based on returns to young people and the state in relation to the following outcomes (see Appendices 5 and 6 for data sources):

- Quality and stability of relationships.
- Severity and frequency of criminal convictions.
- Problematic drug use.

'I went through six social workers in my time in care. I saw one of them once and then three months later got a phone call to say that they were gone. Another showed up for my review and I didn't even know that my social worker had changed.'

Young Person in Care

For both these studies, it is likely that the value being generated has been underestimated in our analysis for the following reasons:

- We are only looking at the value of a limited number of outcomes. In the case of Shaftesbury, for example, some young people that do not become NEET will live safer and more fulfilling lives. But the benefit to them has not been monetised.
- The findings were driven by data availability. In some instances we were able to measure things that were important to young people – for example, the quality of relationships at Bryn Melyn; however, we also had to exclude things that were important due to a lack of data.
- Only two stakeholders were included in the analysis: young people and the state. This is partly because these were the most 'material' stakeholders, and not everything could be measured. But we were also constrained by the fact that there were no data on benefits to other stakeholders such as parents, carers, or siblings.
- Outcomes were plotted into the medium term only. Twenty years was chosen as the time period because data are relatively reliable in the medium term but become less reliable in the long term. In the case of NEETs, however, outcomes tend to deteriorate in the medium term. Because of this it would be possible to assume that some negative effects would continue into middle age. We know that being NEET increases your likelihood of living in poverty in old age, for example, but we decided to opt for a conservative estimate based on more robust data. Indeed, one of the reasons why data are unavailable in relation to some of these outcomes is because of the likelihood of an early death, particularly for drug users, or those with physical health problems.

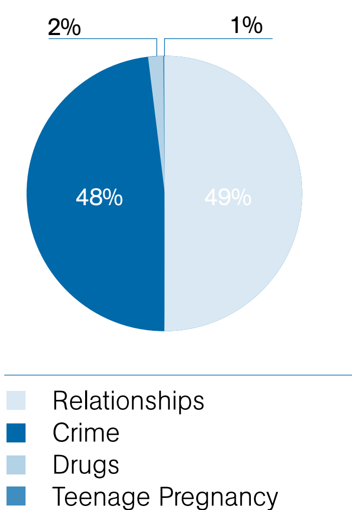
Julie's story earlier (Box 5) demonstrated that it doesn't matter how valuable an intervention is: unless it is being systematically documented it gets left out.

9. Well-being and public policy

Well-being is about more than individual happiness and satisfaction. It also includes developing as a person, being fulfilled and contributing to society. For people on low incomes, even small increases in income can have a huge impact on experienced well-being. But as income rises, the marginal well-being benefit rapidly becomes smaller. At the population level, only around 10 per cent of variation in self-reported well-being is explained by material circumstances. Outlook and activities, by contrast, account for around 40 per cent. This is the area where public policy has the most opportunity to make a positive difference to how individuals feel about themselves and their lives.

As mentioned earlier, our economic analysis focuses on those aspects of a young person's life for which data exist. Above all, with the exception of relationships in one of the analyses, this study has excluded many of those things that are essential to our well-being: social networks, a sense of autonomy and competence, feeling loved and cared for and so on. Study after study has confirmed the importance of these hard-to-quantify aspects of life for young people in care.[58, 59, 60] More research is required to demonstrate their link to 'harder outcomes' such as health and education, in order to encourage policy-makers to take them seriously.

Fig 3 – Share of value
Bryn Melyn Care Ltd.



Sensitivity analysis

Sensitivity analysis is used to determine how sensitive parameters or structures of a model are to change; the extent to which variations would affect the overall social return ratio. We did not find that changes to any of the assumptions or proxies used to derive the calculations made any difference to the overall return in either model. In the case of Shaftesbury Young People, however, the inputs side (the cost of the intervention) was sensitive to change. We have used two different costing scenarios as benchmarks: a low-end cost of £1491 per week and a higher-end cost of £1664.[61] In both of these scenarios there is still a positive return, the higher cost benchmark delivering the higher return of £6.10 and the lower cost having a lower return of £4.40.

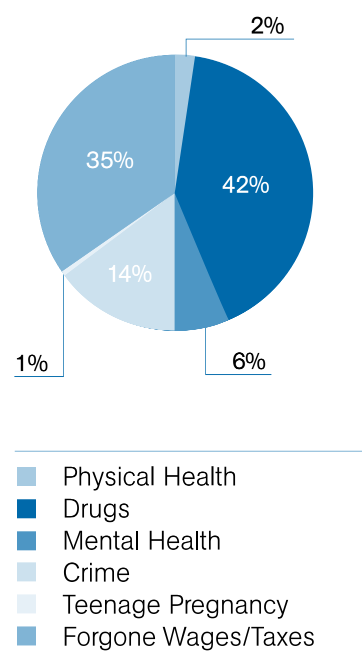
The share of value

In the Shaftesbury analysis, the majority of the value is derived from the benefit to young people and society of reduced drug use (42 per cent). This is followed by forgone wages/taxes (35 per cent) and reduced crime (14 per cent), as illustrated in Figure 4. For Bryn Melyn Care Ltd's young people, 49 per cent of the value came from reductions in crime and 49 per cent better, more stable relationships (see Figure 3.). If better data had been available on other outcomes, we would probably have seen the above factors accounting for a less significant proportion of the value of residential care.

In principle, these findings could be used to guide investment – i.e. focusing spending in the arenas of drugs, crime and relationships because of their greater significance in relation to other outcomes. But it would not be wise to do so, given that this has been such a small study and the share of value is so heavily influenced by data availability. For example, it is possible that physical health was more important than we have suggested here, but there were fewer outcomes and financial data to draw upon than there were for drugs. In addition, costs of drug misuse are often health-related, so it is likely that health outcomes are represented to some extent in the drugs value.

In fact, as mentioned earlier, one of the reasons that the drug value is so high is because one of our assumptions is that one-third of all drug users die in the medium term, and we have attempted to place a nominal value on this loss of life. The extent to which this is a health- or drug-related outcome is a moot point. This points to the fact that complex needs are deeply interrelated and that it can be counterproductive to attempt to separate them, as that is not how they are experienced by the individual.

Fig 4 – Share of value
Shaftesbury Young People



Data limitations and reflections on using these approaches

Gaps in data made the research very challenging. Where economic data exist, they tend to be from academic sources, and usually look at cost effectiveness (how effectively processes have been delivered for different levels of investment). This is robust in terms of accuracy, but efficient processes do not mean better outcomes. Outcomes data tend not to be systematically collected. Even when they are gathered, they do not often match the things that matter to young people. Even if national data were made available for the purpose of comparison, attribution of outcomes would be impossible without proper baselines and benchmarks. This means it is highly likely that an organisation could report poorer-than-average outcomes and yet still generate value because of the profile of the young people it is working with.

It was the lack of benchmarks, in particular, that limited the number of indicators that this study could include in its SROI analysis. In some instances benchmarks were used that relied on small-scale studies, which is not ideal. To measure what matters we need to collect the data that matters. In the absence of such data, the goal of 'measuring what matters' will remain aspirational and elusive. Changes in management systems and reporting requirements are, therefore, urgently required. The next section sets out a series of outcomes that were important to young people but excluded from the calculations due to these data limitations.

10. Improving child well-being

There is now a greater acceptance of the importance of improving child well-being, and this is a growing discipline in child mental health. A recent study by Hicks et al. found that greater child well-being was significantly associated with higher staff satisfaction and a more positive staff perception of the sufficiency of staff numbers. Child well-being was also associated with more positive managers' strategies relating to education and behaviour and being in the non-statutory sector, as compared to local authority residential children's homes.[62] On average, residents' well-being was found to have a positive correlation to length of stay (the longer they stayed, the greater the sense of well-being). 'Pressure to temptation' in risky behaviour prior to entering the home was, on the other hand, negatively associated with well-being.

Reducing child/staff ratios was once thought of as key to better outcomes but a number of recent studies have found no relationship between the output of numbers of staff per child and improved outcomes.[63, 64, 65] As Hicks et al. point out: '[staffing ratios] should be oriented towards improving experiences outcomes, as distinct from oriented towards the likelihood of risk, or complaint… Experience, qualifications, pay and skills, and staffing ratio also need more consideration'.[66]

11. What is co-production?

For centuries the non-market or core economy has informally 'delivered' activities, which now make up many of our public services; not least raising and caring for other people's children. Traditionally, great use has been made of kinship and foster care, and these will continue to form the bedrock of the care system. For some children, however, they are unsuitable options and residential care has an important role to play.

Research completed by **nef** in 2006 identified the characteristics and values that projects and services engaged in co-production share.[67] These consistently involved:

- The provision of opportunities for personal growth and development to people who have previously been treated as collective burdens on an overstretched system.
- Investment in strategies that develop the emotional intelligence of people and the capacity of local communities.
- The use of peer-support networks as a means of transferring knowledge and capabilities, rather than relying only on professionals.
- Reducing or blurring the distinction between clients and recipients – and between the producers and consumers of services – by reconfiguring the way services are developed and delivered. Services seem to be most effective here when people get to act in both roles – as providers as well as recipients.
- Allowing public-service agencies to become catalysts and facilitators rather than themselves serving as the central providers.
- Devolving real responsibility, leadership and authority to 'users', and encouraging self-organisation rather than direction from above.
- Offering participants a range of incentives – mostly sourced from spare capacity elsewhere in the system – which can help to embed the key elements of reciprocity and mutuality.

For more information see nef's Co-production Manifesto.[68]

12. The case for co-production in residential child care

Perhaps what distinguishes residential care in the UK from the continental European pedagogic model described earlier is the cultural difference, which is more akin to a co-production approach; young people are involved as equals in the home, and incorporating everyday tasks, such as cooking or housework, into the therapeutic/educational process. A co-production approach recognises that everyone has assets and strengths to be built upon. Of course this is challenging: it represents a big departure for professionals who are used to operating in an environment that is concerned with risk. This involves finding the right balance between encouraging excitement and minimising potential harm. It is particularly pertinent given that young people are expected to be autonomous and independent at 16 – before the most resilient and advantaged young people leave school or a safe home environment.

The LILAC Project involves young people inspecting statutory, voluntary and independent children's services. In particular, it looks at how young people are involved in key decision-making processes including their choice of school and their placement. The inspections are based on standards the young people themselves have devised. Services that meet the agreed standards will be awarded the LILAC kitemark to recognise their good practice in participation. It has been piloted in a number of local authorities around the country.

http://www.fostering.net

Reflections on using self-reported measures with children in care

Over half of our participants had 6 previous placements or more, and some had up to 15. But these young people found it difficult to compare current and previous placements. All things considered, they were largely happy with their current placements. Reasons they cited for preferring these organisations included:

- No drugs.
- Less chaotic atmosphere.
- Less bullying and in-house crime.
- More pocket money.
- Better staff than in other residential children's homes.
- More activities/less boring.
- Better locations – less isolated, and suitable for gaining access to local services.
- Nicer building/facilities.

The location, quality and atmosphere of these buildings are very important to young people. Places that were run down reflected, so they felt, how they were viewed by the system. A family-style setting, with pictures on the walls and so on, was seen as something that reflected their value and again they believed reflected the esteem in which they were held. Liking staff was also a key determinant of the extent to which they liked a placement.

Unsurprisingly the things that young people disliked were related to everyday things that most young people might complain about: rules, chores, types of food and not enough free time. They spoke passionately, however, about the need to have independence and to feel trusted. Many of these areas are picked up in the new National Framework Contract for children's residential homes, which seeks to 'value and promote the identity of the child as well as improving their well-being, life chances and potential in line with the Every Child Matters (ECM) outcomes'.[69]

The well-being survey threw up some interesting lessons for those undertaking these kinds of studies. The survey approach was accessible to young people; they are often used to filling in these kinds of questionnaires in magazines. When doing qualitative interviews it can take time to build up sufficient trust to get honest answers. The survey approach allows young people to respond on sensitive information without divulging it openly to a stranger. They responded particularly well when they were completing them online.

On the other hand, it should also be approached with caution; some of the young people were apathetic and showed little interest in engaging with the content. While there is a danger that there was some socially desirable reporting, many seemed to report honestly on sensitive subjects such as depression, drug use and involvement in crime and negative behaviour, although the latter could also be boasting.

The qualitative aspects of the surveys were the most difficult for them to complete, and it was difficult for them to differentiate between different types of care. This may be partly explained by the fact that there was a strong overall feeling that they did not like being in care: it may have been difficult to dissociate different types of care from overall negativity.

Auditing 'child-centeredness'

Alongside surveys with young people, we also conducted surveys with carers in residential children's homes to examine their perceptions of the young people's progress. As mentioned earlier, this enabled us to measure the distance between the carers and young people's views. The distance between them was significant – 1.1 for Bryn Melyn Care Ltd and 0.84 for Shaftesbury. To the extent that the distance between reports is a measure of child-centeredness, this suggests quite a bit of room for improvement for both. The difference between the two organisations can possibly be explained – in part at least – by the differing profiles of young people they deal with. Again our scale is too small to be able to correlate this with other variables, such as length of time spent with the young people, but it would be possible to replicate in larger studies.

We also asked carers what they thought their role was in relation to young people. There were a lot of discrepancies in the answers across both organisations. Some saw themselves as role models, developing the whole person and being the trusted person in the young person's life. Others stressed safety, risk management and liaising with professionals, or being a key worker. Other areas that we included in the survey were as follows:

- Carer's contact with teachers.
- Number of face-to-face hours spent with the young people.
- Shift pattern.
- Young people's involvement in local community.
- How often a young person talks to them.
- How regularly they practise key skills.

From these it was possible to generate a composite score for how child-centred organisational practices were. In the absence of short-term outcomes data, this type of approach may be helpful to providers and decision-makers. As part of its broader work on co-production, **nef** is developing co-production audits that local authorities can use in a variety of public services.

13. James's story

'I was in a gang in D_________, and was involved in lots of fights and burglaries. I got kicked out of two previous residential children's homes. On one occasion I broke stuff and in another I got kicked out because I assaulted a member of staff. Other places are more likely to call the police if you do something wrong than here. I was on a criminal discharge, and was close to going into secure before I came here. This is better than being in secure. I haven't been in any trouble with the kids since I got here. If anything goes wrong I will end up getting 18 months, or be put on a tag. There are no other places for me to go. If I behave, though, I get equipment to play ice hockey. I have a lot of regrets about not behaving better and making the most of things. I'd love to get kids coming into the system to play the game. I could be visiting my mum every week if I hadn't got into trouble and been moved to BMC. Staff are very approachable here. They have regular house meetings. If you are not happy about something they put it in a book and then it gets raised in the meeting. In between if I am not happy about something I can tell the manager, or any of the staff. Stable placements are important – if I moved again it would be away from Wrexham and I have only settled in here. Staff are also important because it's boring if you don't get on with them, or have anyone to speak to about stuff. My brothers are also in care and it's important to be able to see them. They are trying to arrange a placement with my brother but they haven't managed it yet. I think being asked your opinion like this is important in case you don't have anyone to talk to and some young people don't.'

Recommendations

This report recommends three approaches to tackling the problems it has highlighted for children in the residential care system. These can be grouped under the headings of measurement, commissioning and co-production. Each focuses primarily on what can be done at a central and local policy level, and should feed into government's attempts to create 'world-class' commissioning, as well as its broader agenda around public service improvement.

In a previous paper, **nef** has called for the introduction of a new public benefit model for public service delivery.[70] This research provides further evidence that such a framework is required. A public benefit model is distinct from either the market or the welfare-statist models in that it recognises the pursuit of outcomes – rather than outputs or efficiencies – as the key to improving services. It also seeks to involve service-users as co-producers rather than mere consumers of public services. Such a model is of great relevance to the care sector, and specifically would involve:

1. Measuring what matters: triple-bottom-line indicators would be built into contracts and used to encourage providers to maximise value-creation in the broadest sense, unlocking innovation and triggering a new 'race to the top'.

2. Commissioning for outcomes: the sustainability of small and niche providers would be reflected in any measures of efficiency used to make public sector purchasing decisions.

3. Placing people at centre stage: public services would be co-produced by commissioners, providers and service-users; service-users in particular would be seen as capable of making key contributions to the change that the service seeks to bring about.

How to measure what matters

What we measure determines what we prioritise, where we invest resources and what lessons we learn about improving services. Getting it right it is therefore essential to improving outcomes for children and young people.
This will require changes to be made on the part of both decision-makers and service providers.

Decision-makers

Government should change the way it thinks about measurement:

1. Service-users need to be valued as contributors to the process of change, rather than viewed simply as the passive recipients of services.
2. Theories of change are required at the individual, organisational and policy level. These should be used to guide investment decisions and to influence service design.
3. Risk and failure need to be put in perspective. In the case of residential child care, this requires re-examining how risks are managed and assessing the extent to which this is crowding-out other considerations. Conversely, it would also require recognising that there can be no genuine innovation and learning without some degree of failure.
4. The fundamentals of what we value and what this says about us as a society need to be discussed. Current debates on how we value children need to continue, and should be brought more into the mainstream.

Government should also change the way it does measurement:

1. Costs and savings need to be calculated over the long-term and in a holistic way. It should be remembered that the first signs of improvement may in actual fact incur substantial costs in the short-term – for example, where someone starts accessing GP services to deal with a health problem. A longer time-horizon is therefore needed to ensure that the most effective interventions are implemented.
2. Indicators need to tell us about outcomes rather than procedures, processes and outputs. In particular, outcome-indicators that measure distance-travelled[83] over time are needed (the 'outcomes star' is one such approach, see Appendix 7). These should be developed in line with the principles of Measuring What Matters (see Appendix 4).
3. The process itself needs to be more robust. More sophisticated benchmarks are needed – for example, benchmarking against other 'in difficulty' groups rather than the general population of young people. As part of this, baseline data needs to be developed when children enter into care so that comparisons can be made.
4. Better categorisation of interventions and their associated outcomes is required – i.e. distinctions need to be made between different types of residential children's homes and the benefits that they bring to specific groups of young people – to ensure children are placed in the most appropriate environment. NCERCC, for example, specifies three different tiers of need: the first being relatively simple, or straightforward; the second being more deeply rooted, complex or chronic; and the third being extensive and enduring, compounded over time by difficult behaviour.

5. Evaluations need to pay greater attention deadweight[84] so that they are able to estimate the value added by a specific intervention. This will require that government calculate the cost of maintaining the status-quo – for example, what do poor outcomes from different aspects of the care system currently cost us – this would provide a benchmark for those providers seeking to demonstrate the value of their services.

6. Consistency of approach is required across providers. Adopting and promoting a specific approach as the sector standard would be helpful providing that it meets two criteria: one, that it is broadly in line with the principles of good measurement (see Appendix 4); and two, that it is consistent with other related areas of services – for example, in this case, drugs and alcohol.

Service providers

1. Measurement systems need to be embedded into strategic planning processes. In the residential care sector, frontline staff have consistently told us that targets do not always reflect the impact they believe their work is having. In such a situation, it is difficult for the collected data to contribute to the monitoring and improvement of service design and delivery.

2. Providers should seek to protect service users from bureaucracy and risk assessment. This is particularly important in the context of children in care. The co-production approach is intended to do exactly this by engaging users in a participative mode of service design and delivery.

3. Providers should be carrying out their own economic analyses. It is very likely that this will require encouragement and support from other players.

4. Providers should continue to track outcomes for service users after they stopped using the service – for example, in this context, young people after they leave care. This type of longitudinal tracking is needed to establish the long-term impact of interventions. It will, however, require funding.

How to commission for outcomes

Standards are not improved by the creation of an 'efficient market' in service provision; they are improved by developing an explicit theory of change and using it to identify those indicators that capture progress against key outcomes. Markets are incapable of taking the holistic approach suggested above and are biased towards short-term outputs, rather than long-term outcomes. In fact, short-term cost-savings are often revealed to be false economies when other relevant factors are taken into account. To counter this in the residential child care sector:

- Commissioners need better information in order to understand: (a) the link between different types of care and outcomes for young people; and (b) the impact that placement decisions have on young people's life-chances.

- Market management needs to take the sustainability of providers into account – particularly the needs of small providers. A federate or partnership approach might be the best way to provide adequate coverage of needs. This matters because a diversity of providers is better than a market dominated by a few very large providers.

To achieve this, we make the following recommendations for central and local government:

Invest in the sector

- A new approach to purchasing – where providers cost their services and local authorities purchase those which are most suitable – should be considered as an alternative to the current system. This is the approach taken in other European countries where many of the residential children's homes are run by the independent sector.
- Longer-term contracts are needed so as to ensure stability for children in care. Even though this is a key target for government, the prevalence of short-term contracts means that the finance for a placement may run out before the need for the placement does. Greater use of block contracts might be one way to address this.
- An investment strategy is needed in order to sustain those third-sector providers that are providing essential services to children in care. We advocate a mixed funding approach that includes grants and service level agreements, as this promotes innovation, diversity and co-operation.

Change the way services are procured

- Local authorities need a comprehensive commissioning strategy which ensures that a sufficient and diverse provision of quality placements is available. This could involve sharing beds across borough boundaries, which would increase the number of available places without generating burdensome new maintenance costs. In general, then, more cooperation between local authorities is needed (see NCERCC's work on audits of need and provision).
- Regional commissioning needs closer scrutiny. Though it may improve stability for young people, it may also be a natural environment in which big organisations can thrive. While large providers still have a minority of placements, more research is required into the impact of scale on the quality of provision –particularly if smaller providers are losing share. The over-emphasis on sectoral distinctions in evaluation needs to be addressed. Insofar as large voluntary providers might have more in common with large private providers than they do with small voluntary providers, the current emphasis is potentially misleading. Further research on the relationship between scale and outcomes would be required to better understand this.
- Targets for efficiency savings need to be rethought. They were ramped up in the 2007 Comprehensive Spending Review and are placing considerable pressure on local authorities to deliver more services for less money. In turn, those smaller-scale niche providers are finding themselves at a pronounced disadvantage in terms of costs. Given the enormous impact that inappropriate services can have on people's lives, not to mention the knock-on implications for other public services, this is something that needs addressing.
- The pursuit of public benefit needs to be freed from departmental silos. As it stands, outcomes which lead to savings for central government or for more than one local government area are not being adequately valued. Money flows down to local authorities in silos and is accounted for in those same silos. Local Area Agreements are designed to circumvent this but only account for a small proportion of spending. There is therefore a need for cross-silo procurement and for local authorities to be incentivised to pursue public benefit even if it does not directly benefit their area of control.

14. Commissioning for outcomes – Camden Borough Council Case Study[71]

In 2007 **nef**, in partnership with the London Borough of Camden, set out to develop a sustainable commissioning model. The outcomes were set at the tendering stage of a mental health contract, and it was left to organisations to decide how they would achieve those outcomes – no specifics on throughput, output, or processes were included. This freed organisations up to innovate in service design and to maximise triple-bottom-line impacts, rather than meeting minimum standards or diminishing risks. Other outcomes were weighted more heavily than price in the success criteria, and this levelled the field for smaller organisations that have recently been squeezed out of the residential sector.

The outcome was that a consortium of small and medium-sized local charities won, despite being up against large national charities. It was not the cheapest tender that won; it was awarded on the basis of the general quality of the service and the level at which it involved volunteers.

How to co-produce services

The stigmatisation of the residential care sector has led to it being undermined, rather than integrated into the system as part of a range of options for young people. The use of residential care as a last resort needs to be reconsidered because better use of residential care as a positive option may help improve outcomes for many young people. Relationships with staff are so central to improving outcomes that investment in this sector needs to be geared towards improving morale. It also needs to ensure that young people are fully involved in the design, delivery and measurement of services. Investment is needed in this form of care to tackle the problem of low morale among workers.

We also need to ensure that young people are fully involved in the design, delivery and measurement of services. **nef** wants to see a blurring of the distinction between clients and recipients, and between producers and consumers of services, through a reconfiguration of the way services are developed and delivered. In this way the services will be truly co-produced and the contribution and strengths of young people are valued.[72] Services seem to be most effective when people get to act in both roles – as providers as well as recipients. We need to devolve real responsibility, leadership and authority to 'users', encouraging self-organisation rather than direction from above. This is consistent with an SROI approach to measurement; engaging stakeholders in a project is about more than consultation. There is a need to create a continuing dialogue that contributes to strategic planning, permeates management systems and shapes the organisation's understanding of where value is created.

Although it is still an emerging area, co-production has gained great currency in recent years. But bringing about systemic change based on this approach is no easy task; it would require a deep change in culture rather than just the implementation of a set of recommendations. For further information on co-production see Box 11.

Conclusions

This was a small exploratory study of good practice from two therapeutic residential child care providers, complemented with data from academic and official sources where possible. Its aim was to encourage a different way of thinking about value in relation to residential child care. It sought to highlight the inadequacy of the measures and data on which we base decisions, and the absence of a framework for delivering child-centred care.

This report calls for investment in the right things and for the quality of the service to provide interventions that meet all young people's needs rather than focusing on over-simplistic measures and price. It outlines a process for providing a richer understanding of how value is being created. A debate about what we are prepared to pay for this is now required. Decisions are currently made based on money and cost first, plus possibly a fair amount of subjectivity in the views of commissioners about what matters.

What we are arguing for is the development of criteria and performance indicators based on more effective measurement tools. The indicators chosen should reflect what matters to users and what achieves long-term outcomes. They should also be developed in conjunction with users as far as possible.

NCERCC characterises commissioning as a parenting and child care activity. This approach contrasts greatly with the findings from this research, where local authorities with tight budgets have to balance priorities between visible and vote-winning public services (such as roads and refuse collection) and an increased spend on residential care. Unless commissioning is imbued with the same child-centred ethos as is aimed for across the rest of the care system, the task of placing children will become inadvertently separated from the task of looking after them. We argue that without more sophisticated measures of progress, the fog of uncertainty about what reforms are required will continue. In the absence of this information, commissioners will continue to prioritise short-term financial returns to government over long-term outcomes. The costs of these decisions have to be borne, by and large, by vulnerable groups and future generations that are not involved in decision-making.

Appendix 1: Methodology

The case studies

The research largely followed the SROI methodology. The SROI process consists of stakeholder engagement, data collection and, finally, placing financial values on outcomes. Two care providers were involved in the research: Shaftesbury Young People and Bryn Melyn Care Ltd. The research was carried out in partnership with Voice, an organisation that is expert in the field of residential child care. Shaftesbury Young People and Bryn Melyn Care Ltd were identified by Voice as having many of the characteristics of child-centred care. Both organisations have a good reputation in the sector. In the absence of good-quality data on outcomes across the sector, it was necessary to rely on reputation in choosing case studies. The aspects of these organisations that appealed to their young residents are detailed in this report.

Both the organisations involved in this study are independent residential children's homes. One is voluntary and the other private, but this research makes no judgements about the effectiveness of one sector over another. Attempts were made to involve a local-authority-run home to underline the fact that outcomes, rather than the legal structure of the provider, are what matter. But it was not possible to recruit a public-sector partner within the research timescale. It could be argued that the emphasis on sectoral distinctions in evaluation is misleading, with large voluntary providers having more in common with large private providers than small voluntary ones. Further research on the relationship between scale and outcomes would be required to better understand this.

A specialist voluntary-sector provider of services for children and young people based in London and south-east England, Shaftesbury Young People manages a range of high-quality care in residential settings. It reports an excellent track record of providing stability for young people with a history of placement breakdown. Its range of activities includes:

- achieving settled placements for older teenagers;
- crisis and assessment placements; and
- helping children prepare for, and move on to, family or foster care.

Staff at Shaftesbury Young People are experienced in giving specialist help to some of the most vulnerable and challenging young people in social care. With high unmet need, these young people are likely to have experienced frequent placement moves. They are also likely to have endured a loss of stable relationships, as well as disruption to their education.

Bryn Melyn Care Ltd is a therapeutic community that has been providing services to children with complex emotional and behavioural needs since 1985. It is a small, private provider based in the west of England and in Wales. At the core of its work is an understanding that children who have experienced extreme disruption in their lives need to be able to settle down and make healthy attachments. Bryn Melyn believes that it makes this possible by providing children with abundant love and care and by bringing structure to their lives, supported by the expertise of therapists. In its long-term placements, Bryn Melyn has an unbroken 'non-exclusion guarantee' that marks it out as different from every other children's home in the country.[73]

Shaftesbury Young People and Bryn Melyn have different models of service. They work with children who have very different profiles and backgrounds. Bryn Melyn, for example, has its own school, and as a therapeutic community it works with children who have very specialised needs.

This research does not set out to compare these two projects too closely. The data available are not good enough to allow us to do this meaningfully anyway. Worthwhile comparisons might be possible, however, if better data gathering processes were to be implemented. This could be possible in the future, with the benefit of more work being done using an SROI approach.

What do we mean by 'child-centred' care?*

Participation

- Children are involved in all aspects of their own lives.
- They are consulted and included in care plans and reviews.
- They share the tasks of everyday living.
- They take responsibility for decisions about their lives.
- There is collective involvement in running services.

Belonging

- Attachments are developed.
- Children experience real caring and trusting relationships.
- They also achieve emotional and personal growth.

Stability

- There is long-term commitment to the child or young person.
- There is continuity and stability in placements, education and relationships.

Enjoy and achieve

- Children are encouraged and supported to achieve at their own pace.
- They have an environment that fosters learning, development and creativity.
- They can access 'a comprehensive range of services that meet their health, education, social, psychological and emotional needs.
- They feel cared for and valued.
- Personal achievements are recognised.

Safety

- Children can learn to take risks in a safe way.
- Risk assessment is balanced with other aspects of the child's, or young person's, well-being.

Communication

- There is an open environment for exchange of ideas.
- The voice of the young person is listened to and valued.
- Children are engaged in way that is stimulating and fun.

**This summary is based on Voice's Blueprint Project, the work of the Alliance for Child-Centred Care and discussions with stakeholders as part of this research.*

Social Return on Investment[74]

SROI is an approach that measures and reports on the social, environmental and economic value that is being created by an initiative, and provides a valuable framework for understanding the long-term impacts of different public policy interventions. It enables a different kind of decision-making that is not based on narrow financial concerns but balances them alongside social and environmental concerns, as well as accounting for negative externalities. As such, it provides an alternative framework that encompasses the principles of good measurement described in Appendix 4.

Although based on traditional financial and economic tools such as return on investment and cost-benefit analysis, SROI builds on and challenges these. It includes a formal approach to identifying the things that matter to stakeholders – particularly those delivering and using services – and includes these in the analysis. Financial proxies are then used to assign values to those things that are not traded in the market place. SROI encourages those designing and delivering services to establish a dialogue with their stakeholders in order to help optimise the value that they are creating for them. Because it seeks out strengths and value, it is compatible with other participative approaches such as Appreciative Inquiry in strategic planning and Social Pedagogy in service design.[75]

Key innovations in SROI analysis include:

- Measuring long-term impact and ensuring that those delivering a programme manage performance against a set of indicators that are relevant to stakeholders.
- Including an assessment of what would have happened anyway without the intervention (deadweight).
- Ensuring that data is captured on things that are not normally measured, such as the health and well-being of young people, and that these are included in the analysis as much as possible. This approach relies on using proxies to value those things that are not traded in the marketplace.
- Seeking to understand the attribution of outcomes between different partners.
- Calculating social, environmental and economic costs and benefits not only to the state but also to other stakeholders. This approach facilitates decision-making on trade-offs between sometimes competing ends.

Our approach to data collection was both quantitative and qualitative. Our indicators were developed through group work with children and care professionals, as well as desk research. To create the economic model, we used the outcomes data available from our two case studies. We also used published academic and official data as our benchmarks.

For one of our analyses, Shaftesbury Young People, we aggregated the findings to the broader residential population to see what kind of savings would be involved to stakeholders if these outcomes were to hold across other organisations. This part of the analysis was to meet the aim of demonstrating how an SROI approach might be used in children's services. The findings are indicative rather than definitive, but interesting nonetheless.

Generating Indicators

Stakeholder engagement was used to develop a critique of the current approach to measurement and to identify an alternative indicator set. We interviewed interest groups and policy-makers, and there were also focus groups and interviews with young people and staff. These provided some case-study material that has been incorporated into this report. A literature review was also conducted as background but was not included in the final report.

	Young People Included	Carers Included	Total Involved	% of total numbers linked to each project
SYP	11	11	11	15
BMCL	9	9	18	28
Herefordshire (Care Leavers)	10	0	10	n/a
SYP (Care Leavers)	5	0	5	n/a
Total	35	20	55	

Once the theory of change and indicators were decided upon, we began to gather data to back them up and to search for appropriate indicators and financial proxies. This was not a longitudinal study and we did not have access to a benchmark primary data source. We therefore had to rely on existing data to work out longitudinal outcomes and benchmarks. Academic and government data sources were largely used to generate financial values and proxies. Only those indictors for which data were available were included in the final economic calculations.

Well-being survey

The research piloted the use of a self-reported well-being survey with the young people in our study. This was not intended to 'prove' anything about the well-being of children in care but to explore using this approach, and to generate some data for economic analysis of Bryn Melyn's work.

In-depth interviews were carried out with Shaftesbury Young People and Bryn Melyn Care Ltd's care leavers as well as a group of care leavers from Herefordshire. The young people who responded were aged between 11 and 16, and completed 20 surveys. We also surveyed some of these children's carers to investigate the extent to which they worked in a child-centred way.

The findings from the surveys form baseline data which have not been summarised in this research but will be shared with the organisations separately.

Economic analysis

There is not much aggregate data on children in residential care, and what little we have is of poor quality. When conducting the economic analysis we used a different approach with each of the providers. For Shaftesbury Young People we drew on existing data to calculate the costs over 20 years, to young people and the state, of an increased likelihood of being NEET. The benchmark used was from a study that looked at NEET outcomes throughout the lives of young people classified NEET at 16 years of age. The costs that we extrapolated related to the negative impacts of being NEET on other aspects of young people's lives, such as physical and mental health, drug misuse, lost earnings and so on.

Our analysis of Bryn Melyn Care Ltd followed a more traditional SROI approach, putting a financial value on a number of indicators for which benchmarks were available. Again, academic and official sources of aggregate data were used for the benchmarks and the financial proxies. These approaches were chosen primarily on the basis of data availability, rather than to test the robustness of the methods. If more comprehensive data had been available, we would have looked at a wider range of outcomes for both organisations. It is likely that this would have led to higher returns for both.

Appendix 2: Journey of a young person in care

Age Timeline		
10 Placed in kinship care	Health	No response
	Well-being	No response
	Education/skills	Took part in domestic chores; learned basic skills etc.
	Behaviour	Regularly getting in trouble in and out of school
	Relationships	Good relationship with carers; relationship with mother is maintained

Asked to leave because of bad behaviour

Age Timeline		
11 First Foster Home	Health	Starts drinking alcohol
	Well-being	Feels unhappy in this placement
	Education/skills	No response
	Behaviour	No response
	Relationships	Bad relationship with foster family; locked out after curfew and starts staying with friends

Complains about carer but she has a good reputation and he is not believed. Birth mother intervenes; gets a new social worker and is moved

Age Timeline		
11.5 Second Foster Home	Health	Starts using cannabis
	Well-being	No response
	Education/skills	Starts playing truant
	Behaviour	Gets into trouble at school
	Relationships	Good relationship with carer; still in contact with peer group

Peer group identified as negative influence. Moved to be away from them

Age Timeline		
12 Third Foster Home	Health	Continues drinking and using cannabis
	Well-being	Misses family but enjoys the freedom he has in this placement
	Education/skills	Falling behind classmates in new school
	Behaviour	Gets arrested for TWOC (taking without owners consent)
	Relationships	Nobody makes sure he attends school – foster parents leave before him in the mornings; does not get on with foster siblings and starts getting bullied in school

Foster parents terminate contract because of criminal behaviour

Age Timeline		
13 **First Residential Home**	Health	Drug use continues but has not been picked up by services
	Well-being	Prefers residential to foster care but still feels pressure of chaotic lifestyle
	Education/skills	Out of school for six months because one can't be found; some classes are provided in the school
	Behaviour	Arrested for TWOC and assault on staff
	Relationships	Gets on with carers, some of whom are experienced; finds them relativley 'straightforward' and keeps to himself. Relationship with birth mother and kinship carer restored.
Moved because of criminal behaviour; on fourth social		
14 **Second Residential Home**	Health	Gets drug treatment
	Well-being	Joins local football team. Feels like he wants to make changes in his life
	Education/skills	Able to stay in the same home – intensive educational support
	Behaviour	Continued involvement in crime
	Relationships	Finds this home difficult in the beginning but begins to feel like the carers understand him, as some have been in care themselves.
Stays with same care home for 2 years		
16 **Supported Accomodations**	Health	Drug use under control
	Well-being	Enjoys independence; feels like he can cope with living by himself and is optimistic about the future
	Education/skills	Leaves school with two GCSE's; gets job in a mechanic shop
	Behaviour	Continues to work with Youth Offending Team (YOT) offending behaviour improved
	Relationships	Stays in touch with carers – still recieves support from them

Appendix 3: Stakeholder Map

Stakeholder Map

Stakeholder	Description	Objectives
Children	· Residential care · Foster care	· To be safe · Stable relationships · Same experiences as other young people · Same clothes and accessories as peers · Controll and choice over their future · Involved in decision making · Links with familiies · Reassurance and calm
Parents, family members & carers	· Foster carers · Adoptive parents	· Accessible care and support · Proper planning · Respite care · Managed handovers
	· Birth parents · Siblings · Grandparents · Other family members	· High-quality care · Same experience as other children as much as possible
	· Staff in residential children's homes	· Balance sometimes conflicting on needs of young people · Positive outcomes for young people
Local authorities	· Lead on education · Looked after children team · Councillors · Director of Children's Services · Solicitors · Residential children's homes run directly by local authorities · Commissioners · Independent Reviewing Officers	· High-quality services at lowest cost · Responsive service · Good outcomes for children · Maintain staus quo · Use residential care sparingly
Education Services	· Teacher · Head · Support staff · Designated teacher · Colleges	· Good communication · Good results · Support · Assistance in classroom · Will not want children from residential care in some instances
Social services	· Social workers · Child & Adult Mental Health Service · Personal advisers · Connexions	· Good outcomes for young people · Resistant to children's residential children's homes

Stakeholder Map

Stakeholder	Description	Objectives
Criminial justice system	· YOT	· Good communications · Consistent work with young people
Health Professionals	· GP · LAC Doctor · Dentist · Designated health worker · LAC Nurse · Drugs workers · Sexual health worker/nurse	· Get children to appointments · Flexibility
Central Government	· DfES – LAC team · Treasury · Department for communities & local government · Department of Health · Select committee on education & Skills	· As many family placements as possible · Deliver good outcomes · Interest in experience on the ground · Case Studies
Legal Services	· Solicitor · Independent advocate	
Parliamentry/ Scrutiny bodies	· All-party group on LAC · Commission for social care inspection · Ofsted · Audit Commission · Office of the Children's Commissioner · Children's Rights Directorate · House of Lords	· High-quality services
Other providers	· Voluntary sector · Private sector	· Partnership
Other NGOs	· Other support services	
Funders	· Charitable Trusts · ESF	· Good outcomes for children · Additionality · Innovation

Appendix 4: Seven principles of good measurement

Measure for social, economic and environmental well-being

nef believes that measures should provide meaningful evidence about the extent to which government policies contribute to a better, fairer and more sustainable society. This means that, ultimately, measures should increase our understanding of whether policy interventions contribute to enhanced social, economic and environmental well-being.

Measure with people

In developing measures, government should, as far as possible, involve the people closest to or most affected by a policy or public service. This ensures that measures are relevant and that they reflect what really matters to people. The process we are advocating should be about giving a voice to those not already involved in the policy-making process – in this case unemployed people from deprived areas – rather than seeking out interest groups that are already well represented.

Measure outcomes

Putting things in terms of outcomes – rather than the more easily measured outputs, resources or activities – is more meaningful as it allows us to assess policies in terms of how they affect people's lives. Policy-makers also need to factor into decision-making a much stronger concern for important future outcomes. For instance, it might be pertinent to give some factors much greater prominence in policy decisions than they currently have, where those effects are more likely to be felt in the future.

Develop a learning and responsive culture

Effective measures will provide evidence that can be used to inform future implementation and decision making. But what is also required is that government should be able and willing to learn from what the evidence says, and from past experience.

Measure the difference made

Measures should identify the difference that particular policies have made, and how much of a policy's impact can be attributed to specific interventions. This helps to avoid double-counting of policy impacts, and allows decision-makers to pinpoint those policies that bring about desired outcomes.

Be transparent about priorities and values

Decisions-makers should be able to justify why they have chosen the measures used. This involves making explicit the basis on which they have prioritised what to measure.

Measure assets, strengths and opportunities as well as risks, failures and deficits

Measuring people's strengths and abilities allows policy-makers to focus on how best to enable people to succeed and flourish, rather than focusing solely – as many policies do – on what people lack and why they fail.

We advocate the adoption of such an approach to ensure better accountability for resources invested in this area and to promote a broader understanding of the value of economic development.

Appendix 5: SROI assumptions and calculations – Shaftesbury Young People

Introduction

This part of the analysis is based on the difference in costs and benefits to children from having a different NEET outcome upon leaving care. This one statistic from Shaftesbury Young People has been compared to another published academic study and this has driven the rest of the analysis. The likelihood of negative outcomes occurring across other aspects of the young person's life is based on a York University study on the costs of children becoming NEET.[76] The economic calculations are based on data from a range of published and official sources. Financial proxies have been derived by the research team where these were unavailable. All the future benefits have been discounted using the real discount rate of 3.5 per cent. This is sometimes referred to as Net Present Value calculation (NPV).

General assumptions

We based our calculations on a 45/55 per cent split of females and males respectively, which reflects the 2006 residential care population.[77]
We assumed that our study group (children receiving enhanced care) had a 31 per cent chance of being NEET (Shaftesbury Young People average 2005)[78] and that our benchmark group (children receiving standard care) had a 55 per cent chance of being NEET.[79] This was taken from a study by the Thomas Coram Research Unit (TCRU).[80] Although our sample sizes are small, these calculations are based on the best available data. The lack of outcomes studies from residential care, particularly studies that relate those outcomes back to inputs (be they financial or otherwise) are rare. Although residential placements are likely to be a lot shorter, longer and more stable placements are part of our theory of change and so it is important to cost them properly. The fact that Shaftesbury Young People placements last longer than average has not been factored in here, although the savings from fewer breakdowns would in and of itself offset some of the increased unit costs.

Physical health

For physical health savings to the state we used the calculations from the York study and opted for the low-cost scenario, based on an increase in A&E and GP visits. For savings to the individual, we used combined annual costs of health insurance, gym membership and the value of days lost due to ill-health each year to generate a proxy.

Mental health

Although there are many studies that aggregate the total costs of mental ill-health to society, there are few that break it down by individual and itemise those costs. We have chosen to use a 2007 Prince's Trust study which found that the costs per person to the NHS of mental ill-health were £139 and that these were likely to be 23 times higher for young people who are NEET, therefore our annual cost to the NHS was £3197.[81] As a proxy for the value to the individual we looked at the amount of days lost to employers as a result of mental health problems. These are also days lost to the individual from being unwell. We calculated the value of these using the average industrial wage of £65 per day.[82]

Drugs

Savings from decreased drug use make up the majority of the savings in this study. This is mostly driven by the fact that the likelihood of being a problematic drug user is high at 33 per cent in the medium term (compared to 20 per cent with poor physical health); the fact that drug users are costly to social services; and fact that one-third of drug users die prematurely (we have put a value on this loss of life). Valuing life is clearly difficult, and different (mainly US) studies have placed it at anything from $60,000 – $129,000.[83] We have used a nominal mid-range figure of $100,000, which is £50,000 at today's exchange rates. Valuing life raises a number of ethical issues, not least that under previous exchange rates the value placed on life would be higher. Yet, health economists do it all the time, and it in part informs decisions about which drugs get funded by the NHS. Stern, in his report on climate change, summarises the core ethical dilemma as follows: 'A very poor person may not be willing to pay very much money to insure her life, whereas a rich person may be prepared to pay a very large sum. Can it be right to conclude that a poor person's life or health is therefore less valuable?'[84] Nonetheless, in following an SROI approach by excluding this loss of life from the analysis we are underestimating the value that the intervention achieves. There is no easy answer to this; however as the SROI methodology becomes more sophisticated, it is likely that better proxies will become available with more commonality in how they are used.

Crime

There are a number of studies that have looked at the costs of crime, and values tend to vary. The Prince's Trust study estimates a cost to the state of £5000 per offender across all crimes, whereas the York study puts it at £7000 per year at 1999 figures.

It could be argued that because one-third of all children in residential care serve a prison sentence, this is a conservative estimate: prison places significantly ramp up criminal-justice costs. Additional modelling would have been required to estimate the numbers of young people that were likely to get involved in more serious crime and serve a prison sentence. In addition, given that we are dealing with a small group of young people, even if they all avoid prison it would not in itself lead to prisons being decommissioned, it would therefore only be appropriate to include the marginal costs of prison places. In the absence of better data we have decided to take a mid-point between these two studies of £6000. A sensitivity analysis was carried out substituting this for the higher and lower number but it did not affect the overall return.

Given that we do not have data on the breakdown of punishments as a result of these crimes, it is difficult to take a view on what a life of reduced crime might be worth to those who avoid it. It could also be argued that those who give up crimes possibly give up earnings (even if illegally garnered) and that there is an overall reduction, rather than an increase in value to them. We will work on the assumption that, for the majority of people, crime comes from necessity, or is a force of circumstance, rather than a lifestyle choice. Therefore we have assumed that it is at least as valuable to the individual as to the state to be crime-free. We have used the same amount, £6000, as a proxy value.

Economic inactivity

This refers to those who are unable to find employment and who are therefore not earning. This measure does not capture whether or not they are doing other meaningful things with their time and assumes that it has a negative effect on their life. Only short-term data were available on the likelihood of young people who were NEET being economically inactive. We know, however, that having been NEET at 16 means that a young person will typically move in and out of employment throughout his/her life.[85] We have therefore assumed a drop-off of the cost of 10 per cent per year. The costs to the state are the increased benefits payments and reduced taxes earned. The costs to the individual are forgone wages.[86]

Forgone wages

This outcome is distinct from economic inactivity, as being NEET at 16 affects your earning potential for the rest of your life. In order to value this, we have taken the difference between the average industrial wage and the minimum wage and added the difference every year to reach the average industrial wage at age 35. We have also included the forgone taxes that the state would have earned.

Teenage pregnancy

Teenage pregnancy, as mentioned earlier, is being treated separately from the other outcomes because of its complexity. The difficulty with doing these kinds of analyses is that judgments have to be made about the type of things that are valuable to a broad range of people, even though these values will vary across groups. During this research it became clear that despite the political rhetoric on the subject and targets to reduce it, teenage pregnancy could not simply be described as a negative outcome. We have therefore only valued it as a negative outcome to the state, which clearly sees it as such, and have only costed the health and social care implications, although we acknowledge that the longer-term effects on social exclusion is what concerns the Government.

Assumptions

Net present value	£691,357,927.44	
Value per child	£104,751.20	
Benchmark 1 cost per child	30 weeks	68488.00 high
Benchmark 2 cost per child	30 weeks	49812.00 low

Scenario 1 – Low end costs	Study group	Benchmark group	Difference
Investment	68488	49812	18676
Net present value			£104,751.20
Social return			4.4

Scenario 2 – High end costs	Study group	Benchmark group	Difference
Investment	68488	56112	12376
Net present value			£104,751.20
Social return			6.1

Assumptions

Number of children in care

6600 2006 (DCSF)
45 Female (DCSF)
55 Male (DCSF)
31 Shaftesbury Young People data

55 TCRU research

Short-term outcomes	Positive	Negative
Physical Health (female)	0.94	0.06
Drug use (female)	0.90	0.10
Mental health (female)	0.80	0.20
Crime (female)	0.97	0.08
Economic Inactivity (female)	0.60	0.40
Teenage pregnancy (female)	0.68	0.22
Foregone wages/faxes (female)	0.32	0.68
Physical Health (male)	0.94	0.06
Drug use (male)	0.90	0.10
Mental health (male)	0.80	0.20
Crime (male)	0.72	0.28
Economic Inactivity (male)	0.60	0.40
Forgone wages/taxes (male)	0.22	0.68

Medium-term outcomes	Positive	Negative
Physical Health (female)	0.80	0.20
Drug use (female)	0.33	0.33 (33 percent loss of life)
Mental health (female)	0.75	0.25
Crime (female)		
Economic Inactivity (female)		
Teenage pregnancy (female)	0.60	0.20
Foregone wages/faxes (female)	0.50	0.50
Physical Health (male)	0.80	0.20
Drug use (male)	0.33	0.33
Mental health (male)	0.75	0.25
Crime (male)	0.72	0.28
Economic Inactivity (male)		
Forgone wages/taxes (male)	0.50	0.50

Proxies - Young Person	Source	Notes
Physical Health	2772	Cost of health insurance & gym membership, and costs to employer[87]
Drug use	16500	Amount spent by problematic users on drugs each year[88]
Value of life lost due to premature death	50000	
Mental health	2587	7.8 days lost due to mental ill-health each year. We multiplied this by £65, cost of lost salary, plus annual counselling bill at £40 per session.[89]
Crime	6000	At least as valuable to the young person as to the state
Economic Inactivity	12584	Prince's T rust study
Teenage pregnancy	0	Not included as outcome for Young person
Foregone wages/faxes	800	Medium-term annual loss of earnings – difference between annual earnings and average industrial wage divided by 15 years.
Average Industrial wage	23764	NSO – 2007[90]

Proxies - State		
Physical Health	1754	York study
Drug use	7374	Mid-point of two studies on the cost to the state. Likely to be a conservative estimate.
Mental health	3197	The Prince's Trust quantified this at £139 per person. It's likely to be 23 times higher for NEET, so we multiplied by 23.
Crime	6000	York study and Prince's Trust study
Economic Inactivity	10623[91]	
Teenage pregnancy	1250	Health and social care costs to the state are all that is included here[92]
Foregone wages/faxes	160	Forgone taxes and benefits (calculated from wages)

Costs & Sensitivities		
Cost per child	2004	Independent sector PSRU actual occupancy[93]
Cost per child 2	1779	Local authority PSRU – actual occupancy (as above)
Average Shaftesbury Young People costs	2446	per child (Shaftesbury Young People)
Discount rate	0.035	Treasury reccomendation
Number of weeks in care	30 weeks	Average length of stay at Shaftesbury Young People

Appendix 6: SROI assumptions and calculations – Bryn Melyn Care Ltd

Introduction

For this study a different approach was used, as data on NEET outcomes were not available and we saw it as beneficial to the research to test another approach. We used either data on four indicators that were being gathered by the organisation or the results from our surveys. Again we used the TCRU research alongside official data to calculate deadweight, alongside other data sources where possible.

Quality and stability of relationships

Two indicators were used to measure this for which data were available: contact with birth families and stability of placement. It has been widely written that stability of placement is a predictor of improved well-being and better outcomes.[94, 95] There is less research on the impact of contact with birth families, though it was something that the children we talked to identified as being important to them and we therefore included it. Bryn Melyn Care Ltd has had much success in maintaining long placements. Eighty weeks is the average length of placement, compared to 28 across all care (including foster care). For young people we decided to value both stability and relationship with family, whereas we saw the value to the state in the transactional savings from reduced instability. For relationships with family we used the amount the average family spends on hobbies, treats and activities for their children each year.[96] We recognise that this is not an ideal proxy but it has been used in the absence of better data on the value of family relationships to young people.

Frequency of criminal convictions

The data for this indicator were drawn from Bryn Melyn Care Ltd's own monitoring and a study in residential children's homes by the TCRU study. On average Bryn Melyn Care Ltd Group had 0.3 offences per person, compared with the TCRU study of 9.3 offences per person. Although we had data on severity, we did not have a good benchmark and therefore had to use frequency alone. The proxy for this was the same as the one used in the Shaftesbury Young People study – £6000 per offence. The same proxy was used for the young person and the state.

Problematic drug use

Official data suggests that 5 per cent of all children who are looked after have a problematic drug habit. At Bryn Melyn Care Ltd the figure was 3 per cent. We have calculated the savings based on this reduced figure. The same proxies were used as for the Shaftesbury Young People study – the amount spent on problematic drug use and costs to the NHS.

Teenage pregnancy

Again teenage pregnancy is being treated separately from the other outcomes because of its complexity. We have therefore only valued it as a negative outcome to the state, which clearly sees it as such. We have also only costed the health and social care implications, although the longer-term effects on social exclusion are what concern the government.

Proxies-young person	Unit	Data Sources
Stability of placement	24000.2	An increase in well-being of .0002% per day from each additional day in care, translated to a 7% overall increase in well-being. We have used this to weight the other outcomes as a proxy.[97]
Contact with birth families	3000	The average family spends about £3000 on a child each year – JRF study – for hobbies, treats and so on.[98]
Crime	7000	Figure from York study
Drugs	16500	Amount spent by problematic drug user on habit

Proxies-state	Unit	Data Sources
Stability of placement	6457	1236 + 1064 + 4156: transactional cost of placement instability[99]
Crime	7000	York study
Drugs	10,402	Costs to state[100]
Teenage pregnancy	1250	Health & Social work costs to state
Discount rate	0.035	Treasury recommendation

Outcomes	Bryn Melyn Care Limited	Benchmark
Stability of placement	80 weeks average lenghth of placement	28 weeks (DCSF)[101]
Contact with birth families	100%	74% (TCRU Research)
Severity & frequency of criminal convictions	0.3 offences per person	1.73 offences per person (TCRU Research)
Numbers identified as having a drug problem	3%	5% (DCSF)[102]

Bryn Melyn Care Ltd SROI calculations

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Quality & Continuity of relationships	46,320	46,320	46,320	46,320	46,320	46,320	46,320	46,320	46,320	46,320
Offending & Safety	310,310	310,310	310,310	310,310	310,310	310,310	310,310	310,310	310,310	310,310
Drug Misuse	10,230	10,230	10,230	10,230	10,230	10,230	10,230	10,230	10,230	10,230
Quality & Continuity of relationships	600,501	600,501	600,501	600,501	600,501	600,501	600,501	600,501	600,501	600,501
Offending & Safety	310,310	310,310	310,310	310,310	310,310	310,310	310,310	310,310	310,310	310,310
Drug Misuse	10,684	10,684	10,684	10,684	10,684	10,684	10,684	10,684	10683.5	10683.5
Teenage Pregnancy	620	620	620	620	620	60	620	620	620	620
Total	1,288,975	1,288,975	1,288,975	1,288,975	1,288,975	1,288,975	1,288,975	1,288,975	1,288,975	1,288,975

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Quality & Continuity of relationships	46,320	46,320	46,320	46,320	46,320	46,320	46,320	46,320	46,320	46,320
Offending & Safety	310,310	310,310	310,310	310,310	310,310	310,310	310,310	310,310	310,310	310,310
Drug Misuse	10,230	10,230	10,230	10,230	10,230	10,230	10,230	10,230	10,230	10,230
Quality & Continuity of relationships	600,501	600,501	600,501	600,501	600,501	600,501	600,501	600,501	600,501	600,501
Offending & Safety	310,310	310,310	310,310	310,310	310,310	310,310	310,310	310,310	310,310	310,310
Drug Misuse	10683.5	10683.5	10683.5	10683.5	10683.5	10,684	10683.5	10683.5	10683.5	10683.5
Teenage Pregnancy	620	620	620	620	620	620	620	620	620	620
Total	1,288,975	1,288,975	1,288,975	1,288,975	1,288,975	1,288,975	1,288,975	1,288,975	1,288,975	1,288,975

	Total
Quality & Continuity of relationships	926,404
Offending & Safety	6,202,200
Drug Misuse	204,600
Quality & Continuity of relationships	12,010,020
Offending & Safety	6,206,200
Drug Misuse	213,670
Teenage Pregnancy	12,400
Total	25,779,494

Total Benefit

18,319,428 per child

Cost

4,659,630.08
Need to remove education costs
28 weeks

Ratio

4

Appendix 7: Outcomes star for measuring and valuing distance travelled

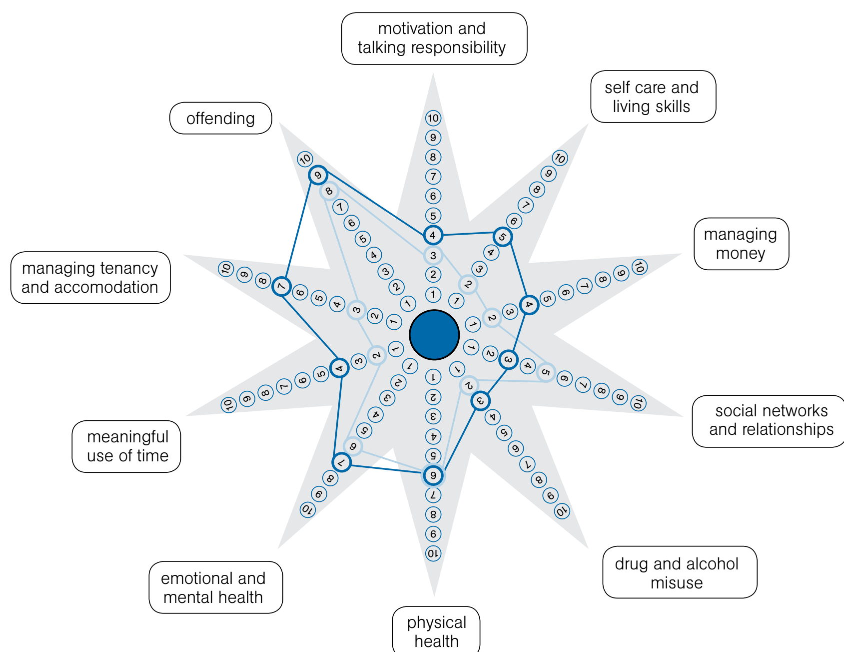
The outcomes star is an example of an approach to measuring change that is consistent with the principles of Measuring What Matters. Other approaches may exist that are as appropriate. But it is important that one is adopted as the standard approach within the sector.

The understanding that lies beneath the outcomes-star approach is captured in the journey of change – a scale outlining the key steps in a transition from dependence to independence. This scale underlies the ten ladders, further scales that are used to measure service users' progress in each outcome area, such as meaningful use of time.

The idea is that key workers and participants should negotiate the appropriate place on the 1–10 scale at the start of their engagement and at regular intervals throughout. It was originally developed in the homelessness sector for working with vulnerable people. It is used within the key worker process and is integrated within assessments and reviews. It measures distance travelled in the short term as well as longer-term change.

http://www.homelessoutcomes.org.uk/resources/1/OutcomesStar/OutcomesStar.pdf

As part of the Camden Invest to Save project, a tool is being developed to calculate savings as an individual moves along the scale. It is also being modified for use in children's services by a number of London boroughs in conjunction with the Invest to Save project.



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22 According to a report last February from the National Audit Office, only £3.5 billion of £13.3 billion in savings then claimed by government stood up to serious scrutiny.

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[51] As our focus is on residential care, we have only looked at this aspect of the work of our partners. We do however acknowledge that both have other activities such as services to care leavers and children in foster care.

[52] For more on the work of the National Centre for Excellence in Residential Child Care (NCERCC), see its website: http://www.ncb.org.uk/Page.asp?sve=934

[53] As can be seen from the stakeholder map in Appendix 1, the same level of tension does not exist between different stakeholder objectives as it does in other areas of public policy. Although carers and Government sometimes have different priorities over specific outcomes, it is reasonable to characterise all stakeholders as being concerned with the best interests of young people. For this reason, we have decided to focus the analysis on two main stakeholder groups: children in care and the state. In total we involved approximately 100 individuals over the research, stakeholder engagement and data-gathering phases: 60 young people (in care and care leavers); 20 carers and managers; and 20 other individuals working in statutory and non-statutory organisations in the sector.

[54] Extracted from Building a culture of participation: involving children and young people in policy, service planning, delivery and evaluation' http://www.dcsf.gov.uk/listeningtolearn/downloads/BuildingaCultureofParticipation%5Bhandbook%5D.pdf

[55] It would, of course, be retained in the theory of change for the state as stakeholder.

[56] An analysis such as SROI is inherently subjective because proxies are being used. It is therefore important to test how sensitive the assumptions and proxies are to change, i.e. the extent to which the ratio is affected by changing different assumptions.

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[74] SROI was pioneered by REDF, a San Francisco-based venture philanthropy fund. The concept has since evolved into a widely used, global framework for measuring value. In 2003 nef began exploring ways in which SROI could be tested and developed in a UK context. An important goal of the project was to advance an approach to SROI that would be as widely applicable and as user-friendly as possible. Measuring what matters is the first attempt to understand how SROI can be used to measure the impact of policy interventions in the UK.

[75] 'Appreciative Inquiry' is a framework for organisational development that seeks to change behaviour through affirmative questions. It challenges the traditional problem-solving approach to change, which views systems as faulty machines with parts needing to be either fixed or replaced. Instead it encourages the exploration and affirmation of what works in a system. It is an effective and sustainable way of fulfilling an organisation's potential and maximising its performance. For more, see Elliot C (1999) Locating the energy for change: an introduction to appreciative inquiry (Winnipeg, MB: International Institute for Sustainable Development).

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About Measuring What Matters at **nef**

Measuring What Matters is an innovative programme of research to value what matters most to people, communities, the environment and local economies, and to ensure that these inform policy. The research uses social return on investment (SROI) to determine the full costs and benefits of government decisions in three areas: women and criminal justice, economic development and children in care.

Measuring What Matters starts from premise that we have a tendency to measure the wrong things and therefore to pursue the wrong priorities. Immediate financial savings often drive policy decisions, meaning that hidden costs and benefits are not taken into consideration. Measuring what really matters means shifting the focus to how we as a society can pursue real economic, social and environmental well-being.

Through the use of SROI, **Measuring What Matters** advocates a long-term, transparent approach to measurement which takes a holistic view of impacts and effects. Capturing and valuing what matters most is crucial to ensuring maximum public benefit from public spending. The reports are being published throughout 2008 and are available to download on the nef website.

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