

# Making an Early Intervention Business Case: What should it look like?

This rapid review summarises some official guidance on how business cases should be structured and carried out. Alongside this, it reviews some real-world local examples in the form of a selection of recent early years (EY) and early intervention (EI) business cases.

## What a business case should look like

### Business case guidance

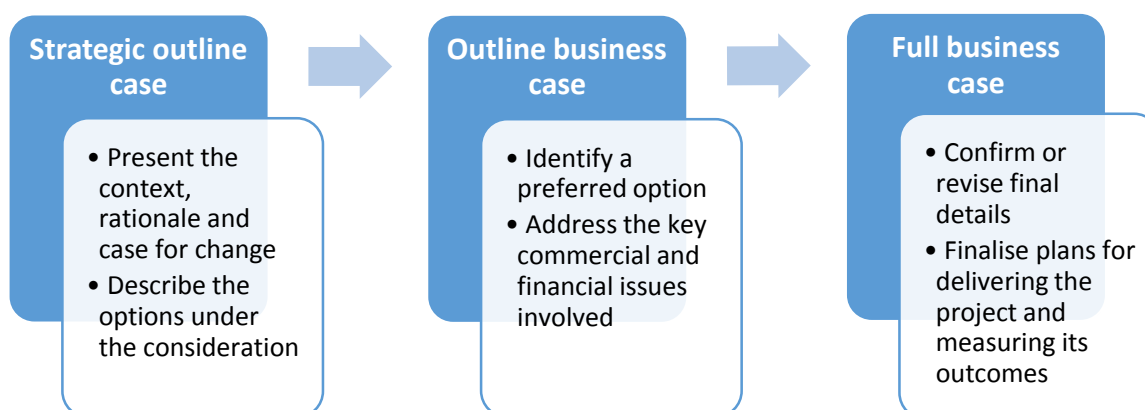
Business cases are a management and planning tool written to justify a project, by providing all necessary information to support its adoption. As described in [official government guidance](#), there are five different types of business case, each of which supports the policy decision in a different way (see Table 1).

**Table 1. The different types of business case**

<b>Strategic case</b>	Rationale for the project, including context and the case for change
<b>Economic case</b>	Assessment of the expected costs and benefits of the project
<b>Commercial case</b>	Procurement and contractual steps required to deliver the project
<b>Financial case</b>	Sources of funding and provisions for liabilities or cost over-runs
<b>Management case</b>	Arrangements for project delivery, governance and performance monitoring

During the planning cycle business cases tend to progress in stages, starting with a strategic outline case and ending in a full business case which contains the full detail required to support the policy decision. Revisions can be made to the business case along the way as new information becomes available, or as circumstances or priorities change. Figure 1 shows what the different stages of the business case process look like.

**Figure 1. The different stages of a business case**



Of all the different types of business case, the one with clearest scope – and requirement – for evidence is the economic case, otherwise known as a **cost-benefit analysis (CBA)**. This is the process of identifying the option, project or policy which best meets a decision-maker’s needs. A CBA identifies and assesses the benefits of that option, based on the outcomes which it is intended to achieve, and places a monetary value on them. The benefits are then compared to the costs that would be incurred by choosing that option; an option that delivers higher benefits relative to its costs delivers more value for money. Comparing the value for money associated with various options and with the status quo allows a decision-maker to see whether a change in policy is justified, and, if so, which of the potential options available represents the ‘best’ choice.

### Cost-benefit analysis guidance

The [HM Treasury Green Book](#) explains in detail all the steps involved in carrying out a robust and comprehensive CBA. The most important of these issues are summarised in Table 2.

**Table 2. Key questions a cost-benefit analysis should answer**

<b>What is the expected impact of the option being considered?</b>	<p>Assessing the <i>improvement</i> in outcomes that would happen if an option is selected, taking into account:</p> <ul style="list-style-type: none"> <li>• Outcomes that would have arisen anyway – known as ‘deadweight’<sup>1</sup></li> <li>• Other services or factors which could drive outcomes</li> <li>• Any side-effects (beneficial or otherwise) that may arise elsewhere<sup>2</sup></li> </ul>
<b>What is its value for money?</b>	<ul style="list-style-type: none"> <li>• Placing a monetary value on option’s expected impact</li> <li>• Assessing costs and benefits over the same time frame</li> <li>• Measuring costs and benefits which arise in a different time periods on a comparable basis<sup>3</sup></li> </ul>
<b>How much caution is built in to the analysis?</b>	<ul style="list-style-type: none"> <li>• Identifying risks and uncertainties which could alter the estimated value for money of an option and the conclusions</li> <li>• Assessing costs and benefits under different scenarios to see how sensitive the conclusions are to the uncertainties identified</li> </ul>

While the [Treasury Green Book](#) provides a standard reference on many of the technical issues involved in CBA, additional resources for analytical and quality assurance guidelines of a more practical flavour, suitable for a local commissioner, practitioner or third sector audience also exist. Chief among these is the Cabinet Office’s guidance on [Social Return on Investment](#) (SROI), which contains step-by-step guidelines, document templates and worked examples. SROI is broadly similar to CBA, although it places more emphasis on the breadth of stakeholders considered, and is also useful for project management and governance purposes.<sup>4</sup> Engaging with a range of stakeholders and establishing a ‘logic model’ for the programme in question are at the foundation of SROI analysis. Figure 2 shows diagrammatically the basic content of a logic model, tailored for early intervention children’s services.

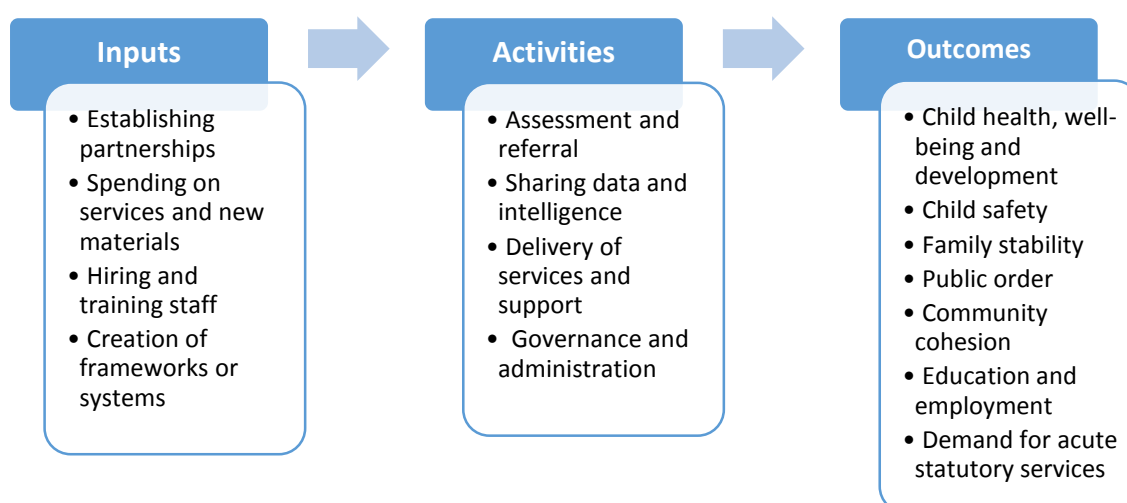
<sup>1</sup> For further information, see the [Treasury Green Book](#).

<sup>2</sup> Positive side-effects, where the outcomes of a project spill over onto other people or areas, are commonly referred to as ‘leakage effects’. Negative side-effects, where a project’s outcomes cause a deterioration in outcomes for other people or areas, are referred to as ‘displacement’ or ‘substitution’ effects. For further information, see the [Treasury Green Book](#).

<sup>3</sup> This takes into account inflation and also applies a ‘discount rate’ on top, to reflect the fact that money in the future is worth less than money now. For further information, see the [Treasury Green Book](#).

<sup>4</sup> Studies that have used the SROI approach include reports by the New Economics Foundation on [education and children’s services](#) and [residential care](#), and a Department for Education report on the [Family Pathfinder Programme](#).

**Figure 2. An example ‘logic model’ for early intervention services**



The [SROI guidance](#) includes a useful checklist of questions for producers of business cases to consider during the project planning and CBA process. Much of this accords with the detail and spirit of Treasury Green Book guidance, and the key parts that are most relevant are shown in Table 3.

**Table 3. Some requirements of a good business case**

<b>Mapping outcomes</b>	<ul style="list-style-type: none"> <li>Have you given the inputs a financial value?</li> <li>Have you checked to make sure that the inputs you have recorded include whole costs of delivering the service (e.g. overheads, rent)?</li> <li>Have you included a description of the outcomes?</li> </ul>
<b>Evidencing outcomes and giving them a value</b>	<ul style="list-style-type: none"> <li>Have you identified indicators for the outcomes?</li> <li>How long do the outcomes last?</li> <li>Do you already have information in relation to each indicator?</li> <li>Have you identified a financial value for each outcome?</li> </ul>
<b>Establishing impact</b>	<ul style="list-style-type: none"> <li>Do you have information for deadweight (outcomes which would have occurred anyway)?</li> <li>If the outcomes last for more than one time period, what happens to the outcome over this time period (drop-off)?</li> </ul>
<b>Calculating the SROI</b>	<ul style="list-style-type: none"> <li>Have you set out the financial values of the indicators for each time period?</li> <li>Have you checked the sensitivity of your result for amounts of change, financial values, and measures of impact?</li> </ul>

Practical guidance has also been developed by [NFER](#), focussing on CBA for early intervention. As well as providing a concise summary of the aforementioned Green Book guidance, it also signposts a range of studies that could be used to inform calculations of the longer-term benefits arising from early intervention programmes.<sup>5</sup>

<sup>5</sup> It provides a list of studies on, for example, the effects of early intervention on acute health service demands, drug use, offending, special schooling and welfare dependence.

## What some recent business cases look like

This section summarises a few examples of recent practice based on a selection of publicly available EY/EI business cases and their CBAs. The example business cases reviewed are:

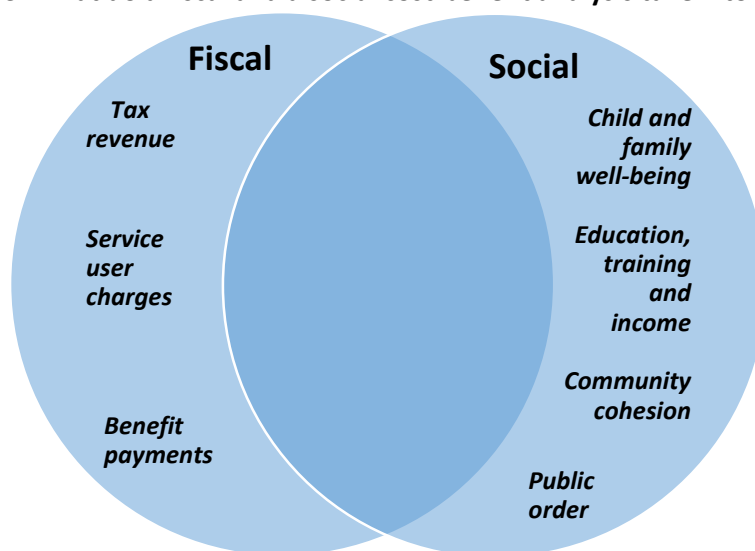
- [\*Greater Manchester: Early Years Business Case\*](#)
- [\*Greater Manchester: Troubled Families Business Case\*](#)
- [\*Altogether Better West Cheshire: Early Support Business Plan\*](#)<sup>6</sup>
- [\*Altogether Better West Cheshire: Families Together Business Plan\*](#)<sup>7</sup>
- [\*Whole Essex: Families with Complex Needs Business Case\*](#)
- [\*States of Jersey: Refocusing Services for Children\*](#)

Table 4 provides more detail on these business cases and their CBA. With the exception of Jersey, they form part of the area's respective Community Budgets programme, and all of them share certain key strands:

- A description of the strategic context and policy landscape;
- The challenges for the current arrangements and the case for change;
- A new proposition or delivery model;
- The economic case (CBA) underpinning the proposed option;
- An implementation plan.

Another common feature of these business plans is that the economic case is presented as a fiscal CBA rather than a social CBA. A fiscal CBA only analyses the costs and benefits of a programme to the public sector, in terms of the impact on public services expenditure, any charges levied for using those services, tax revenue and welfare benefits payments. By contrast, a social CBA adds up the total costs and benefits to society as a whole, including range of stakeholders – the public purse, people targeted by a programme and wider society (such as communities or the environment). This difference is shown visually in Figure 3.

**Figure 3. What do a fiscal and a social cost-benefit analysis take into account?**



<sup>6</sup> While these are separate business cases, they relate to elements of an integrated service in West Cheshire that also includes a domestic abuse prevention programme.

**Table 4. Summary of local business cases and cost-benefit analyses (CBAs) reviewed**

Business case	Policy area	Proposal	CBA type	How are costs calculated?	How are benefits calculated?	What are its strengths?	What else could it contain?
<a href="#">Greater Manchester Early Years Business Case</a>	Early years	Joint assessment, evidence-based interventions and shared outcomes framework	Fiscal	Unit costs taken from local outturns.	Savings estimated based on current evidence-based programmes.	Use of local cost data. Clear assumptions on cohort size and total needs. Optimism bias adjustment. Benefits split by agency. Use of external expertise.	Further sensitivity analysis on needs, cost and impact drop-off, and implications for overall net benefits under each scenario.
<a href="#">Greater Manchester Troubled Families Business Case</a>	Troubled families	Whole-family approach with multi-agency partnership and single assessment	Fiscal	Modelled using Greater Manchester CBA Tool.	Indicative figures using Greater Manchester CBA Tool. Benefits attributed to individual agencies	Costs attributed to individual agencies. Estimate of cashable savings, broken down by agency.	Additional detail and assumptions behind CBA calculation. Source of cashability estimate. Sensitivity analysis and implications for CBA results.
<a href="#">Altogether Better West Cheshire: Early Support</a>	Early years	Joint assessment and commissioning, integrated support, evidence-based programmes	Fiscal	High-level overall cost provided.	Overall figure using published costs and benefits of evidence-based interventions.	Calculation of flow of costs and benefits over time, and resulting payback period.	Sensitivity analysis around benefits and impact drop-off, with implications for CBA results. Further detail on underlying calculations.
<a href="#">Altogether Better West Cheshire: Families Together</a>	Troubled families	Joint assessment and commissioning, single point of contact, shared outcomes	Fiscal	'Deep dive' analysis of current families, combined with known and estimate service input costs.	Estimated using Greater Manchester CBA Tool, performance data and other research sources.	Benefits calculated net of deadweight and attributed to individual agencies. Calculation of cashable savings. Use of external expertise.	Sensitivity analysis and implications for CBA results.
<a href="#">Whole Essex Families with Complex Needs</a>	Troubled families	Multi-agency teams supporting whole family; single point of contact, shared data	Fiscal	Unit costs based on local outturn data and assumptions about programme delivery.	Assumption about intervention success rate, combined with service unit costs.	Clear assumptions on inputs and intervention length. Sensitivity analysis and optimism bias, to test CBA results under different scenarios. Benefits split by agency.	Assessment of likely cashability of savings. Sensitivity analysis around impact drop-off.
<a href="#">Jersey: Refocusing Services for Children</a>	Early years	Integrated, multi-agency strategy with tiered support	Fiscal	Outline business case: provides high-level overall cost estimate.	Assumed reduction in statutory social services workforce and emergency services.	Sensitivity analysis using different scenarios around estimated reduction in emergency department activity.	Further development during progression to full business case stage. Additional detail on costs and impacts.

The example business cases reviewed here are justified mainly on the basis of savings that are expected via reductions in future demand for statutory or acute services, as a result of the proposed early interventions. The focus on fiscal rather than social implications is perhaps not surprising given the broader financial backdrop against which these business cases have been written. Of course, it is also difficult to quantify and place a value on some of the additional impacts that a social CBA would include, as shown in Figure 3, such as child and family well-being term and wider economic benefits. Excluding wider social benefits to focus on fiscal implications also means the CBA can be treated as a ‘conservative’ calculation, under-estimating the total potential benefits that might arise.

Some of the CBA documents include adjustments made to the calculations in order to correct for ‘optimism bias’. This is the phenomenon whereby business cases have a systematic tendency to *underestimate the costs* of a programme or the time required to deliver it, and/or *overestimate the impacts or benefits* that the programme will achieve. An offsetting adjustment is recommended to correct for this bias. The [Treasury Green Book](#) provides more detail on the matter, while Part 3 of this report contains guidance on applying such adjustments.

Another type of robustness seen in the business cases is the assessment of the expected impacts net of deadweight – outcomes that would be expected to arise anyway. This issue is crucial to the calculation of benefits. Related issues which are also important, but not addressed, concern the potential level of ‘drop-off’ – whether the potential impact of intervention is sustained, or the outcomes of interest return to their pre-intervention level.

The business cases highlight a very important issue for fiscal cost-benefit analysis and service planning more generally, which is the ‘cashability’ of savings. Savings are cashable if a reduction in demand on services by families receiving early intervention leads to reduced total expenditure on those services. While this might seem intuitive, it might not occur fully for a number of reasons:

- The reduction in service demand could be offset by increased inflow of cases in the rest of the population due to other detections of cases or existing backlogs.<sup>7</sup>
- It is difficult to make savings from the fixed costs associated with a service, such as land and buildings, unless the service is decommissioned entirely. In most cases, it may be the case that only the variable costs (such as wages and salaries) can release cashable savings.<sup>8</sup>
- Existing procurement arrangements might stipulate a certain level of spending on services until the commissioning contract can be renegotiated.

Even if cashable savings are achievable, they might not flow to the commissioner in question. Reductions in some expenditures – such as welfare benefits, criminal justice costs or health costs – might provide a savings for central government or other agencies instead.

Overall, these business cases show many strengths and elements of best practice, particularly in calculation of costs and benefits. There remain, as with any business case, areas with scope for the provision of additional information on specific detail and the assumptions underpinning the calculations. There is also scope for increased application of sensitivity analysis to consider alternative scenarios for these factors and alternative scenarios around the duration of impacts.

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<sup>7</sup> Health and criminal justice systems are the most common examples, although it could also happen in social and care services.

<sup>8</sup> For this reason, it is important to understand the *cost structure* of a service, namely which costs are fixed and which are variable. Many estimated costs of service provision are based on average unit costs, concealing the issue.

## Fostering improved business cases in future

This rapid review forms part of a broader journey and learning process around early intervention planning and strategies. The Early Intervention Foundation is working with its 20 Pioneering Places to help them assess and improve their early intervention business cases, through guidance (such as this report) in the near term and assistance with infrastructure development in the medium term. A key aim of these programmes of work is to encourage evidence usage and assessment to drive future business case improvement. Putting this process in motion are the two additional resources.

**Making an Early Intervention Business Case: Evidence and resources** is an evidence summary containing an overview of some examples of evidence-based programmes that might be the focus of EY/EI business cases, along with links to further information on them. It also contains estimates of the costs associated with some relevant services and outcomes that an EY/EI business case proposal might aim to influence. The scope of this factsheet has been informed both by a reading of the evidence but also the business cases reviewed here: it contains costs associated with crime, health outcomes, social care processes and relevant family interventions. The figures in this document are, of course, specific to a particular context and might not be directly transferrable to another business case, but they may provide a useful starting point.

**Making an Early Intervention Business Case: Checklist and recommendations for cost-benefit analysis** is a toolkit containing specific criteria and recommendations for assessing the technical quality of an existing business case and improving it to ensure it is as robust as possible. This has been drawn up based on the guidance summarised in this report; using the business cases reviewed here, it has been tailored to cover the issues and needs most likely to be relevant to local commissioning organisations making decisions about EY/EI services.