

Good decision making needs estimates of all the resources involved

We steer away from traditional accountancy to include all the resources involved in an intervention, so that resource estimates can be applied to different contexts, both geographically and over time

Real life application	Example of key question
1 Assessing the business case for the intervention	What is a realistic estimate of the resources we need so that we do not have surprises?
2 Forward planning	Looking at future user numbers, how much spending do we need?
3 Performing financial checks, budget versus actual spend	What are the direct resources that hit our books at the end of the financial year?
4 Continuous team management	How do we spend resources on a daily basis and can we improve that?
5 Evaluation of intervention to inform future development, sustainability and replication	What are the full resources so that we can compare them to the full benefits?

Good decision making needs estimates of all the resources involved

We estimate the value of all the resources needed to run public sector interventions, including cash but also resources for which no cash is required; this is also referred to as 'broader societal costs'

Best practice guidance

HM Treasury's Green Book provides public sector organisations with guidance on how to conduct evaluations

It says that cost benefit analyses should quantify in monetary terms as many of the costs and benefits of an intervention as feasible

- This includes items for which the market does not provide a measure of economic value

In terms of accountancy, the Green Book states:

- 'Cash flows and resource costs are important, however, they do not provide the opportunity cost, and therefore cannot be used to understand the wider costs and benefits'

Similarly, the National Institute for Clinical Excellence (NICE) states that a broader societal perspective ensures that all relevant costs are included, regardless of who pays for them

Types of resources

1

Direct resources

Those directly related to the intervention, typically borne by the lead organisation when setting up and running the intervention

2

Indirect resources

Those indirectly related to the intervention, typically as a result of the interactions between the intervention and external people, and borne by organisations other than the lead organisation, including the value of the volunteers and users' time

Our estimates include all the resources involved, regardless of who pays for them

In a nutshell

Through a combination of workshops, interviews, and a statistical tool, we produce estimates of the resource required per case ('unit cost') for interventions, such as:

- programmes and projects, for example, a licenced intervention to support victims of domestic violence through cognitive therapy; and
- whole systems and core services, for example, early help services by a local authority

In 2014-16, we produced estimates for over 50 interventions based on exactly the same approach.

Our estimates are more than just organisation 'x' spent 'y' on 'z'

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	People	Real life application	Example of key question
1	Strategist, decision makers	Assessing the business case for the intervention	A realistic estimate of the resources so that we do not have surprises in the future?
2	Performance managers	Forward planning	Looking at future user numbers, how much spending do we need?
3	Accountants and auditors	Performing financial checks, budget versus actual spend	What are the direct costs that hit our books at the end of the financial year?
4	Operational managers, team leaders, and frontline staff	Continuous team management	How do we spend resources on a daily basis and can we improve that?
5	All	Evaluation of intervention to inform future development, sustainability and replication	What are the full resources so that we can compare them to the full benefits?

We have a proprietary statistical tool to produce resource estimates based on workshops and interviews with the frontline

The most realistic, not the cheapest resource estimate matters

Different audiences have different incentives to highlight different estimates, usually those that make them look cheaper, but this is a poor basis for evaluation and decision making, which carries risks

Our approach produces estimates that look high

Indirect resources, such as the value of the time of volunteers and users, tend to be perceived as free resources because no cash payment is required

- However, interventions would not work without indirect resources
 - If volunteers are not available, they might need to be replaced with paid staff
 - If users decide to spend their time doing other activities, rather than participating in the intervention, the intervention would not work

Therefore, indirect resources need to be included in the estimates

- Even if this results in higher estimates than those made just on the basis of direct resources

Risks associated with unrealistic estimates

- 1 **Intervention might need to go back to funder to request more funding because original estimates were wrong**
- 2 **Waiting lists, if number of users who could participate in the intervention is greater than available resources**
- 3 **Intervention might have only a partial view: considers just direct resources, calculated by accountants, and ignores indirect resources**
- 4 **The intervention team might think it spends a lot of resources face to face with users, when in fact this is not the case**
- 5 **Cost-benefit analysis results might be wrong because resources are underestimated**

If you do not include both direct and indirect resources, you will be running risks

Sorry, but there is no such a thing as the ‘true unit cost’

Public sector interventions face a great level of unpredictability and variation which translate into difficulties when it comes to estimating resources required per case

Variation in the day to day

Number of users

- Seasonal variation, for example more during school term
- If intervention run in groups, the sizes of the groups may vary
- It is more difficult to achieve user numbers in small towns and rural areas

Profile of users

- The needs of individual users may change quickly
- The needs of the group of users as a whole may also change quickly

Team structure

- Leavers, retirement, promotions
- Salaries associated with roles may vary depending on circumstances

The extent to which unit costs can reflect variation

Our estimates reflect the main sources of variation

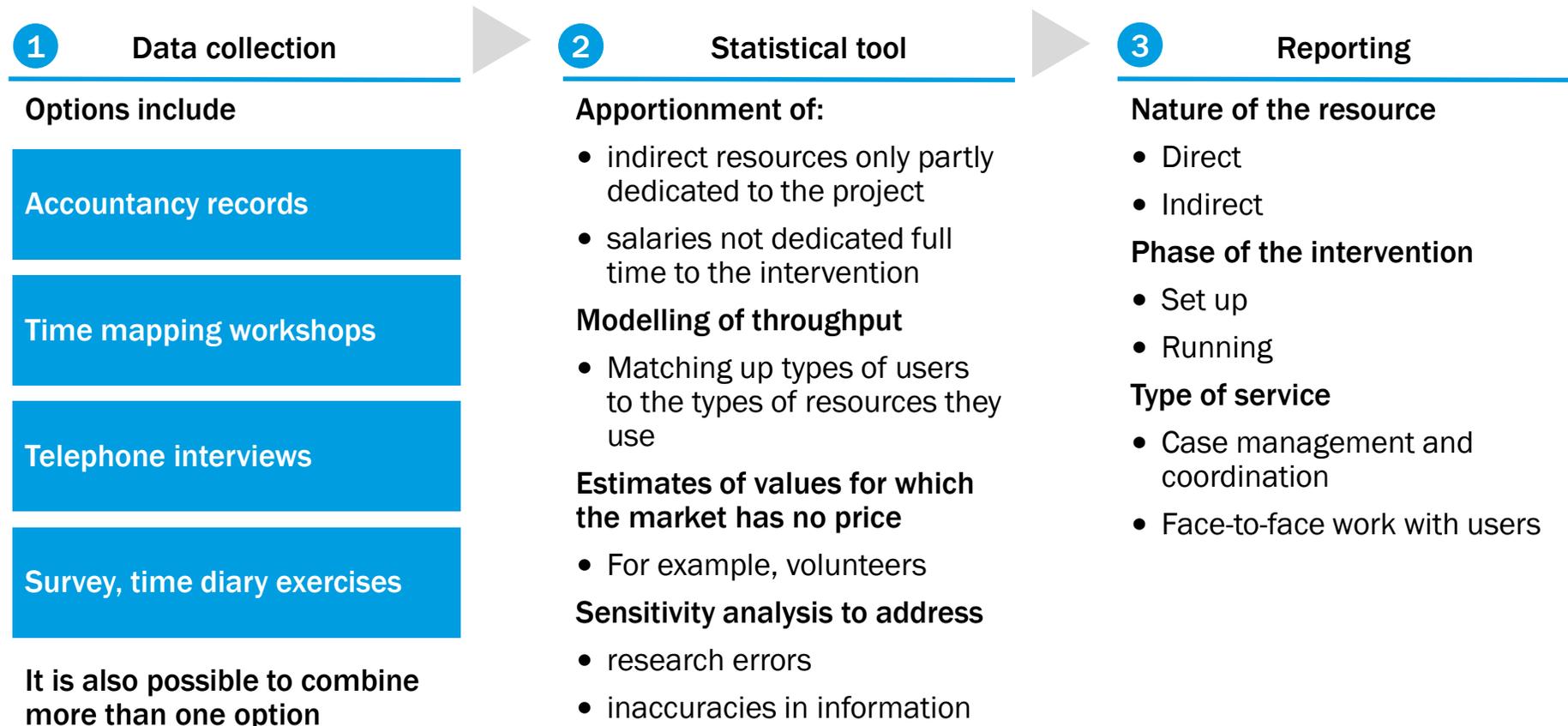
The aim is to use real life information to understand all the possible situations which may result in different resource estimates, for example

- A light touch case where the user only required short-term support, resulting in a low unit cost
- An average case where the user received standard support
- A time consuming case where the needs of the user were particularly complex to deal with, resulting in high resource requirements

Our reports provide ranges rather than one single number

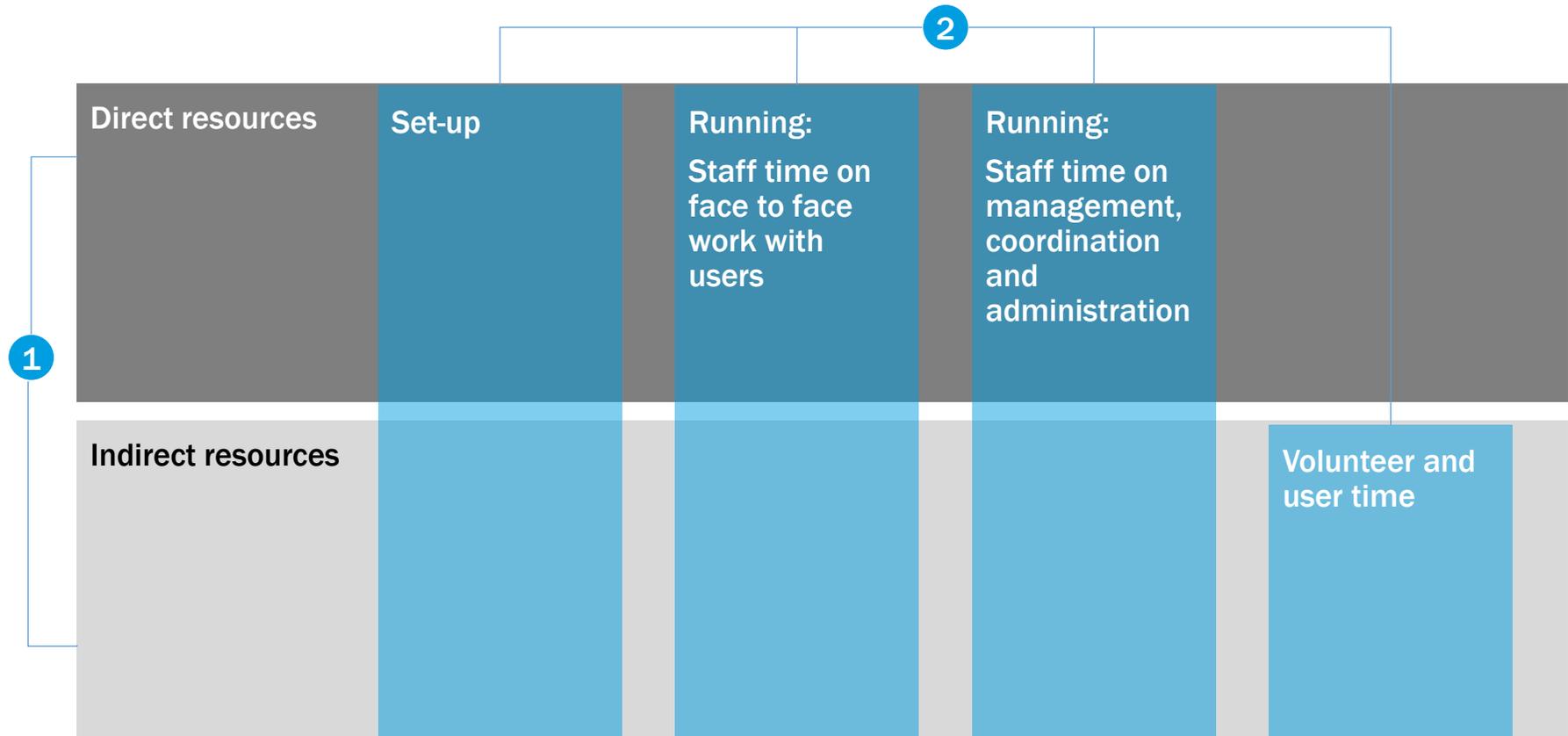
The work we do to produce our reports has three phases

While maintaining the same approach, we adapt our data collection to the requirements of the public sector organisations we work with



You can think of the different types of resources as overlapping planes

Through a combination of workshops, interviews, and a statistical tool, we work with public sector organisations to estimate the different types of resources required to deliver an intervention



Set-up and running cut across both direct and indirect resources

Our reports provide practical information for different types of decisions

Strategists, performance managers, and operational managers will find the information helpful in relation to economic evaluations, financial appraisal, and future spending

1 Low, high resource estimates per case per year

Use this range to provide a realistic estimate. Possible to apply low to light touch, middle to typical, and high estimates to time consuming cases.

2 Middle resource estimate per case per year

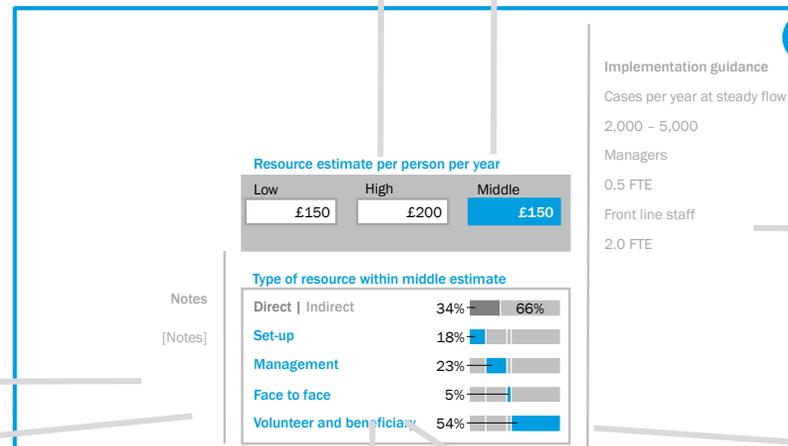
If required to use one single number, use the middle estimate. If doing planning, check results depending on whether you apply low, high or middle estimates.

3 Direct

Borne by the lead organisation, excluding indirect resources by other organisations involved, volunteers and users

4 Implementation guidance

Estimates only apply to contexts that meet the number of users at steady flow and have a similar team structure. Full-time equivalents (FTE) only include lead organisation staff



5 Set up

Resources like laptops, and staff time for planning before work with users starts

6 Management

Staff time required to run the intervention, including from lead and other organisations

7 Face to face

Time of practitioners working directly with users, from lead and other organisations

8 Volunteer and user

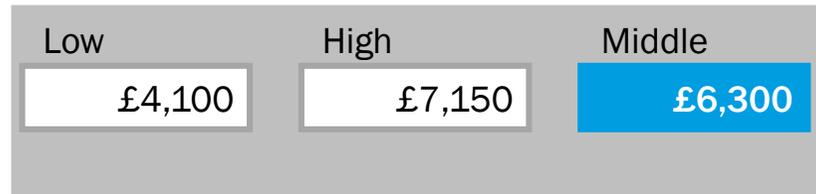
Time of volunteers and users participating in the intervention

Stepping Stones

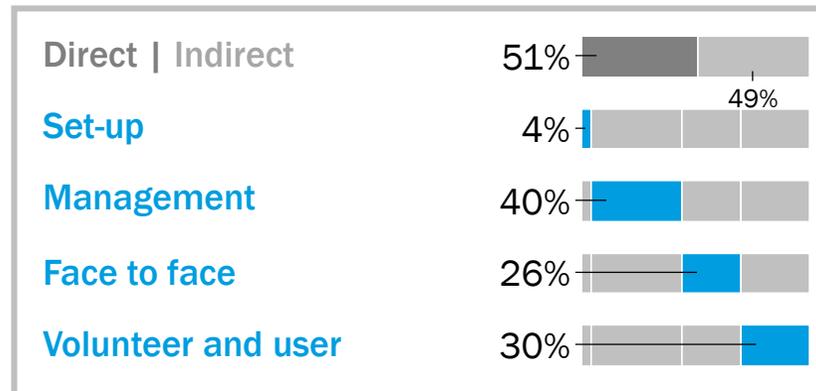
Illustrative

Stepping Stones is a hypothetical intervention that takes place in Nowhere Land; it supports children who have behaviour problems through 10 to 12 cognitive therapy sessions and up to five home visits

Resource estimate per user per year



Type of resource within middle estimate



Notes

Estimates are for cases with moderate needs; no volunteers involved

Implementation guidance

Cases per year at steady flow

25 – 50

Managers

0.5 FTE

Front line staff

4.0 FTE

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