

# **The Questant Process**

## **Analysis of**

### **Neighbourhood Networks**

**For**

John Dalrymple  
Neighbourhood Networks  
Festival Business Centre  
159 Brand Street  
Glasgow  
G51 1DH

**By**

GAP Communications  
55 Loudoun Road  
Newmilns  
KA16 9HJ

T: 077 333 94 641  
E: [jo@gapcomm.co.uk](mailto:jo@gapcomm.co.uk)

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## 1.0 Executive Summary including Tabulation of Outcomes

Neighbourhood Networks is a support organisation working with vulnerable individuals, often those with learning difficulties, to help them build networks within their local community. These individuals can be very marginalised within mainstream society and the organisation works to enable them to build a mutual support and friendship network with their local neighbourhood and to sustain independent living. Neighbourhood Networks currently provides services in the following council areas: Argyll & Bute, Glasgow and North Lanarkshire.

Neighbourhood Networks clients are known as members and this convention is used throughout this report. In the years analysed, Neighbourhood Networks supported 89 individuals in Year One and 93 individuals in Year Two, split across their three main areas of operation.

Neighbourhood Networks helps to reduce the burden on state funded organisations by upskilling individuals to help them better cope with society through increased self-esteem and self-confidence generated by being part of a mutual support network. By comparison with the general population, Neighbourhood Networks' members need far higher levels of support over a longer period to generate positive outcomes, so any gain to the public purse is expected to be lower than for those organisations working with individuals from the mainstream population who have less complex needs or who those move through an organisation more swiftly.

The Organisation is primarily funded by service agreements with the three local councils mentioned. Some other income from funders or charitable trusts is received for specific organisations.

Applying the Questant Process Analysis to the Neighbourhood Networks organisation generates positive gains outputs to the public purse as shown below.

	<b>Year One</b>	<b>Year Two</b>
Displacement Gain	£1,149,679	£1,175,765
Benefit Gain to the public purse	£29,008	£67,133
Tax and National Insurance Gain	£18,016	£19,105
<b>Sub Total</b>	<b>£1,055,572</b>	<b>£1,106,767</b>
Organisation Cost	£444,625	£450,419
<b>Organisation Benefit per £1.00 spent</b>	<b>£2.37</b>	<b>£2.46</b>

Caveat – as stated in Section 8, it should be noted that the Organisation will contribute more to the public purse than the figures shown for Year One. It is an ongoing organisation and these calculations have, through necessity, taken a base of zero at the start of Year One. Year Two represents a more average base figure.

This table demonstrates that, for every £1.00 spent on the Neighbourhood Networks organisation in Year One, **£2.37** is gained by the public purse. In Year Two, this figure increases substantially to **£2.46** against a slightly increased cost base.

Therefore, in these terms, the Organisation can be regarded as highly successful and meeting the needs of its target audience in a cost effective manner.

## **2.0 A Brief Background to the Organisation**

Neighbourhood Networks facilitates living support networks amongst vulnerable individuals which are designed to help network members sustain life in their local community. The Organisation offers specific services which are not replicated, to the best of their knowledge, by any other project or organisation. In that sense it is unique.

Neighbourhood Networks describes their services as providing “support to individuals to live independently and to provide mutual support to one another within the neighbourhood.” The Organisation’s clients are known as members and this convention is used throughout this report.

A Network normally comprises 9-15 members who live in their own homes and which are, as far as is possible, within walking distance of each other. A locally based, part-time Community Living Worker, employed by the organisation, provides support for the members.

A typical member will have a mild learning difficulty, sometimes a mental health issue, although the Organisation is starting to develop networks for those with physical disabilities as well. Within the context of ever more strict eligibility criteria, such people are often not a high priority in the view of their local authority and so can ‘fall off the radar’ of mainstream social support services.

Typically, members can become very isolated and lonely in their community. They also experience bullying, low-level harassment and social exclusion. This leads to low self-esteem and low confidence which, in turn, affects their quality of life. Neighbourhood Networks provides the mechanism to allow such vulnerable individuals to form support networks with each other and within the wider community, and through them, gain self-confidence and self-esteem. It helps them sustain life in their community.

The Organisation helps vulnerable individuals with issues such as accommodation, form filling, financial issues, relationships with neighbours and family members – the types of problem that many others are able to take in their stride. A major benefit to the network member is consistency of people – access to a range of familiar network members and a consistent Community Living Worker - as opposed to a succession of social, health and other similar workers marching into and out of their lives.

A key part of the service is dealing with members in crisis, where emergency support may be needed. As has been stated earlier, people who fall into Neighbourhood Networks member categories are often not high priority, and so can fall between the cracks between support organisations when a crisis occurs. Typically the Organisation deals with one major crisis per week in each of the three Network areas, an average of 150 per year. These may range from trouble with the police, mental health and emotional crises, threat of utility disconnection, potential eviction, bereavement etc. If the Community Living Workers did not provide support at these times, the full cost of the crisis would fall back on statutory organisations.

Neighbourhood Networks also has a philosophy that supports “the full and active citizenship of its members” and, to that end, is less risk averse than some other organisations. It helps members to help themselves by helping them boost their skills and confidence. A prime example of this risk enabling philosophy is working with members to help them organise outings and foreign trips – for example, number of members in one network wanted to organise a trip to Paris and, as that’s what the members wanted to do, Neighbourhood Networks worked with them to ensure the trip passed off successfully.

Social activities form a key plank of Neighbourhood Networks’ work. Again, the activities are driven by members both in their local Networks and across the wider organisation.

Individuals are referred by a number of statutory and voluntary bodies, including social work, the NHS and local charities. Self-referrals are rare but do happen as do referrals by other family members.

The Organisation is seeing a change in the age ranges and disabilities of its members. More 45+ adults with learning difficulties are being referred – mainly as a result of elderly parents no longer being able to care for their adult child – as are more younger people (18-25). This is presenting new challenges to the Organisation.

Community Living Workers are employed part-time and salaried. They receive a substantial amount of training and support from the organisation. The Community Living workers work with 9-15 vulnerable individuals in a local neighbourhood, helping through befriending, facilitation and practical advice.

A unique and key part of the organisation is that members have a very active role in the management and administration of Neighbourhood Networks: through representation on the governing Board of Trustees, and on a number of working groups. These include a Presentation Group – which attends promotional events such as exhibitions, conferences and other events on behalf of Neighbourhood Networks; and an AGM Group – which helped organise the Organisation’s Annual General Meeting for all its members, and an Equalities and Diversity Group.

The Organisation supports around 90 members per year across the three council areas. In the years under study for this Analysis, Neighbourhood Networks supported 89 vulnerable adults in Year One and 93 in Year Two.

There is a waiting list to join a Network in some areas and, as well as creating additional networks in Glasgow, the Organisation is in the process of establishing Networks in new areas such as West Dumbarton and Edinburgh.

It is very difficult for many to understand how the seemingly small, everyday tasks that we carry out, like catching the bus or going shopping, can present challenges to some people.. Neighbourhood Networks helps its members to develop some of the robustness that most take for granted.

Through their work Neighbourhood Networks helps to reduce the burden on state funded organisations by facilitating neighbourhood networks to provide mutual support so reducing social isolation and, through upskilling individuals, to help them better cope with society through increased self-esteem and self-confidence and, perhaps for some, to move into supported economic activity.

By comparison with the general population, Neighbourhood Networks’ members need far higher levels of support over a longer period to generate positive outcomes. Therefore any gain to the public purse is expected to be lower than for projects and organisations working with those from the general population, who may have less complex needs or who move through a project more swiftly.

Applying the Questant Process will demonstrate if public purse gains are generated by Neighbourhood Networks.

### **3.0 The Questant Process**

The Questant Process Analysis of demonstrating return on public and charitable trust investment in social enterprises, community organisations and other similar organisations has been developed, and is owned, by GAP Communications.

Using data supplied by the organisation, the Questant Process performs a string of calculations to arrive at key performance metrics for that organisation. The primary metric is the calculation of the gains/costs to the public purse. This figure indicates whether the organisation under consideration provides value for money and a positive return on investment.

The Questant Process takes cognisance of soft investments in people such as upskilling and increasing self-esteem and, through its algorithms, is able to attribute an economic value to those 'soft' investments.

The Questant Process looks at three sets of gains and derives financial values for those gains. The gains are:

Displacement Gain	The cost of state services which would have to be provided if the organisation under study did not exist.
Benefit Gain	The gain to the state of individuals moving back into employment
Tax Gain	The basic tax gains from those individuals moving back into employment.

The Questant Process is valid for the given point in time at which it was carried out for the organisation taking part in the process. For Neighbourhood Networks, the time frame is August 2010 and the period under review the financial years 01.04.2008 to 31.03.2010. Should the Process be repeated over a different time frame or at another point in the future, it should be noted that outcomes may be different.

## **4.0 Funding and Value for Money**

A key aspect of any examination of an organisation such as Neighbourhood Networks is whether that organisation is providing value for money. Value for money is not simply measured through ascertaining whether the costs of the organisation are reasonable for the outcomes achieved but also through the value added to society as a whole.

It is acknowledged by the organisation's management that, for this particular organisation, the benefits are hard to measure in strict financial terms but it is thought to be beneficial under a number of hard and soft criteria.

This Report looks at two aspects of value for money – the gains/costs to the public purse of the organisation and whether the current funding and outcomes present a positive return for funders in terms of the public purse.

Audit Scotland, in their document "Following the Public Purse", state a preference for projects and organisations, such as this one, to be able to demonstrate that taxpayers receive value for money. In the Questant Process, calculations to demonstrate the cost/benefit to taxpayers from all the funding and income received by Neighbourhood Networks have been carried out.

### **4.1 Adding Value to Society**

Neighbourhood Networks adds value to society through:

- Allowing vulnerable adults to manage a range of issues in their lives, thus
- Reducing the need for interventions by social services, the NHS, the police, the local council and other statutory bodies.
- Helping vulnerable adults with issues of self-esteem, self-confidence and inclusion in wider society, which, in turn:
  - Allows a limited number vulnerable adults to, where possible, enter education, training or the workplace thus increasing their economic potential and;
  - Also allows many more vulnerable adults to have a much fuller and more meaningful life.

Through adding value to society in this way, Neighbourhood Networks addresses a number of policy areas outside the more traditional support areas – it meets part of the education remit, it meets the social inclusion and health remits and may also contribute to the employability remit. Those who use the Organisation's services, and their families, have stated unequivocally that they value highly the support they receive and that it has helped them focus their lives better and reduce their need for statutory support services such as social work or the NHS.

As well as the hard benefits, the soft benefits to those using the Organisation's services, which do not have a monetary value, are often the most beneficial in the long term. Neighbourhood Networks allows vulnerable individuals to build self-esteem and self confidence; to learn new life skills such as budgeting and to be able to more effectively take part in wider society. Increasing their confidence and allowing them to build self-esteem means that those supported are more willing to engage with the local community and may, in time, either join or return to the workforce.

Special mention should be made of the reduction in isolation experienced by Neighbourhood Networks members. Through meeting others in the same situation in a local Network, isolation is reduced and, through that, better integration into the local community can be achieved.

The softer benefits of the Neighbourhood Networks' intervention also help to reduce costs in other areas – for example, improving someone's capacity and confidence to travel and/or shop by themselves, means a worker does not need to be provided to support that activity, so giving a saving to the public purse. Work done by Neighbourhood Networks' teams with supported individuals, in the areas of benefits claiming and life-skills enhancement, helps to reduce the input needed by social services, which in turn, reduces costs to the state.

Typical outcomes for members, taken from the 2010 Annual Report and Accounts, include;

- Moving into their own home from supported accommodation or care
- Travelling independently
- Going to the gym regularly
- Studying for a food hygiene certificate
- Going to the cinema

Vulnerable individuals with complex needs, who need integrated delivery from a number of statutory and voluntary agencies, are a high cost to the national economy and, if through organisations like Neighbourhood Networks, demand on services is reduced through individuals being able to cope better themselves, then there is a saving to the public purse.

This is especially true where emergency interventions have to be made. If these interventions can be reduced or their impact mitigated then, again, there is a saving to the public purse.

Neighbourhood Networks has, until now, lacked a factual basis on which to make economic decisions about the value for money of the organisation. During the briefing meeting, concerns were expressed to the consultants as to whether the Organisation, due to its focus on soft skills which are

often intangible, presented value for money. To demonstrate value for money, the consultants looked at how many vulnerable people were supported and the costs of supporting those individuals.

The Organisation has been running for a number of years. However to give relevance and meaning to the figures generated, only the last two financial years - 01.04.2008 to 31.03.2009 and 01.04.2009 to 31.03.2010 – have been examined in depth. Taking a short time period for analysis, within a longer running organisation, does generate an anomaly with the figures and **may severely understate** the outcomes in value for money terms of the first year under consideration – see Caveat, Section 8.

For convenience, the financial year 2008-2009 is referred to in this document as Year One and the financial year 2009-2010 is referred to as Year Two.

In the period under consideration, Neighbourhood Networks supported 89 individuals in Year One and 93 in Year Two. The breakdown across council areas is as follows:

<b>Council Area</b>	<b>Year One 2008-2009</b>	<b>Year Two 2009-2010</b>
Argyll & Bute	27	25
Glasgow	17	18
North Lanarkshire	45	50
<b>Total</b>	<b>89</b>	<b>93</b>

Movement in and out of Networks does take place but numbers coming in almost invariably equal numbers leaving so there is no net gain or loss. In some places there are waiting lists to join a Network, so places which become vacant are swiftly filled.

## 5.0 Organisation Funding

Neighbourhood Networks is primarily supported by the three councils it has contracts with to provide support services to vulnerable individuals. They are Argyll & Bute Council, Glasgow City Council and North Lanarkshire Council.

There is also a small amount of grant and service income funding in each year – Neighbourhood Networks does not seek global funding per se but will seek to fund specific elements of its work during the course of a financial year. In Year One, this additional funding was £44,357 and in Year Two, it was £27,596. However it should be noted that these funds were for specific pieces of work **outside the main service delivery remit** and so have been ignored in the table below and all subsequent parts of the Questant Process, as this concentrates on the main service delivery only.

The Organisation is successful in obtaining funding but like all organisations has been affected by the economic downturn's impact on its funders with a consequent squeezing of funds. In Year One, funding amounted to £444,625 was received. In Year Two, the total core funding received from funders was £450,419.

The table below shows the funding by funder. Source: Neighbourhood Networks Accounts. All figures £Sterling.

<b>Funder</b>	<b>2008-2009 Year One</b>	<b>2009-2010 Year Two</b>
Argyll & Bute Council	109,743	109,743
Glasgow City Council	86,455	86,455
North Lanarkshire Council	248,427	254,221
Other Income (Service Contract)	0.00	0.00
Other Funders (Grant Income)	0.00	0.00
<b>Total Funding</b>	<b>444,625</b>	<b>450,419</b>

Investment income is ignored in the Questant Process and is therefore excluded from the table above

However, the figures above do not reflect the cost of service delivery as Neighbourhood Networks aims to put some money into its reserves each financial year. The service delivery costs will be used in the calculations for the Questant Process.

The service delivery costs (taken from the annual accounts) were, in Year One, £452,161 and in Year Two, £498,154. The funding provided by Neighbourhood Networks's group of funders leads to an average global service delivery support cost per person of £5,080.46 in Year One and £5,356.49 per annum in Year Two.

The question then posed is ‘is this level of support proportionate for each vulnerable person supported?’

To answer this question, the Questant Process looked at the costs to society of vulnerable individuals having low self-esteem and self-confidence and other factors which marginalise them from society or which contribute to their needing higher inputs from social services, the NHS and other state welfare providers.

The initial Process calculation looks at three cost areas 1) those supported being unable to work and being wholly supported by the benefit system and comparing those costs to the benefits to the public purse when those individuals move into work [Benefit Gain] or, 2) through gains in self-esteem and self-confidence, cease to make such high demands on the state [Displacement Gain]. Added to the overall benefit gain, is 3) the tax gain to the public purse from income and other taxes levied on those who are unable to work [Tax Gain]. The calculations on which the figures are based are given in the Sources notes at the end of this document.

## **6.0 Displacement Gains to the Public Purse**

Displacement gains are those gains which are most invisible. They are those gains which arise when action by the service under analysis, in this case Neighbourhood Networks, results in either an outcome which no longer requires the use of resources from another, often statutory body, OR an outcome which DOES NOT escalate to involve statutory bodies such as social services, the NHS, the police and similar.

The work of Neighbourhood Networks delivers two types of displacement gains – ‘Standard’ gains generated by their everyday work and ‘Crisis’ gains where, by their intervention, a crisis in the lives of their members is prevented. A third displacement gain is seen where through facilitating independence and encouraging social interaction, without needing a worker present is also seen.

Looking at each gain in turn.

### **Standard Displacement Gains**

In any support organisation there are a number of standard displacement gains which can be used to the organisation’s benefit. These gains come from interactions which, as a result of the organisation’s work, the person can now do for him or herself rather than needing support from a state funded body, such as social work. Typically, supported activities include shopping; visiting the doctor, the dentist or the optician; dealing with housing and benefits and so on.

Neighbourhood Networks' members have traditionally been heavy users of support services but through the Organisation's work, their use of such services will diminish as they become more capable and confident. For example, members have grown in confidence and will now use public transport to get to the shops and back on their own. This means a worker does not have to accompany them with the associated costs and restrictions to freedom.

For Neighbourhood Networks, the standard displacement gain areas used in the Questant Process and the values subsequently generated for Years One and Two are as follows:

<b>Support Area</b>	<b>Year One 89 members</b>	<b>Year Two 93 members</b>
Shopping	£96,262	£105,908
Visiting the Doctor	£16,661	£18,330
Visiting the Dentist	£3,702	£4,073
Visiting the Optician	£2,777	£3,055
Dealing with Social Work	£22,214	£24,440
Dealing with Housing	£11,107	£12,220
Dealing with Utilities	£22,214	£24,440
Help with Benefits	£22,214	£24,440
Help with Money	£8,330	£9,165
Help with Employment	£5,554	£6,110
<b>Totals</b>	<b>£211,035</b>	<b>£232,181</b>

Note: rounded to the nearest whole figure

The figures are based on the standard costs of a support worker averaged per hour. It should be noted that different activities require different levels of qualification for a support worker and wage differentials across grades have been taken into account in the Process.

### **Social Interaction Gain**

A key element of Neighbourhood Networks work is the social interaction it helps its members to achieve. The client members are often isolated and marginalised, so it works to generate networks whose members socialise together and take part in activities they have organised. Neighbourhood Networks is unique in allowing its members to make decisions and carry out activities for themselves. Most, if not all, similar support organisations are highly risk averse and, when working with a similar client base, limit opportunities for social interaction by requiring one or more workers to be with client on the way to, at and returning from a social activity.

By allowing their members to arrange, travel to and attend social events by themselves, Neighbourhood Networks reduces the need for a worker to accompany a member. This, in turn, increases the displacement gains generated by the organisation.

The formulae used to calculate standard displacement gains can be applied to social activities. However, whilst data for standard support areas (visiting the doctor etc) exist, assumptions have had to be made on the time that each Neighbourhood Networks member spends in social activities and an average taken. Not all members will be involved in all activities; therefore, the following percentages have been used to reflect a typical distribution curve and extrapolated across Years One and Two to give a participation time/number ratio per week for Neighbourhood Networks.

<b>Hours social activity per week every week</b>	<b>Percentage participants</b>	<b>Year One Number of Participants (n = 89)</b>	<b>Year Two Number of Participants (n = 93)</b>
2	20%	18	19
3	35%	31	33
4	25%	22	23
5	12%	11	11
6	5%	5	5
7+	3%	2	2
<b>Totals</b>	<b>100%</b>	<b>89</b>	<b>93</b>

Note: rounded to the nearest whole figure

Applying the figures in the table above to the Questant Process, the following displacement gains are seen i.e. the cost of not having to provide a support worker to facilitate the member taking part in a social activity for the number of hours shown.

<b>Hours social activity per week every week</b>	<b>Percentage participants</b>	<b>Year One</b>	<b>Year Two</b>
2	20%	£19,469	£21,637
3	35%	£50,294	£56,370
4	25%	£47,590	£52,385
5	12%	£29,744	£31,317
6	5%	£16,224	£17,082

7+	3%	£7,571	£7,972
<b>Totals</b>	<b>100%</b>	<b>£170,893</b>	<b>£186,763</b>

Note: rounded to the nearest whole figure

From the above a displacement gain of **£170,893** is seen in Year One, rising to **£186,763** in Year Two.

As well as the standard displacement gains used in the Questant Process, work carried out by the North Lanarkshire Manager on an estimate of the extra hours mutual support given within three Networks under his management can be included in the overall displacement gains. His work shows that, within the Network, members provide many hours mutual support for each other without a Community Living Worker's involvement. If this support had to be provided from elsewhere, it would attract a cost and, therefore can be regarded as a gain initiated by the Organisation.

From the figures supplied, members in the three Networks provided each other with an average of 371 hours of mutual support per month over the period October 2009 to June 2010. This support was in excess of the standard 52 hours support provided by Neighbourhood Networks.

Annualising these figures and applying them to the whole organisation using the standard displacement gain cost per hour of a suitably qualified worker, a gain of **£195,522** is seen for Year Two. For Year One a reduction of 5% has been assumed, giving a gain of **£185,746**.

A note of caution should be sounded. The gains are likely to be understated as an average has been taken of a growing number set, the range being from 184 hours (Dec 2009) to 730 hours (June 2010). However the median (368 hours) and the average (371) are similar enough for the purposes of this exercise.

### **Crisis Displacement Gains**

Neighbourhood Networks' member base means that a considerable number of 'crisis interventions' have to be made by Community Living Workers over the course of a year. These crisis interventions, if allowed to escalate, would see substantial costs to the public purse. On average, one crisis intervention takes place per week per region, roughly 150 per year.

Typical interventions include:

Member becoming at risk of homelessness

Members needing medical assistance

## Mental Health issues

### Financial interventions

The mix of interventions is very varied but the risk of becoming homeless is a common crisis for the member base. It is for that reason that the analysis has focused on that intervention.

Each crisis intervention takes, on average, three weeks to resolve. Feedback from Community Living Workers suggested that each crisis intervention would, on average, take between 15 and 20 hours time to resolve. It should be noted that this intervention prevents the crisis from escalating into an emergency. The time spent by the Community Living Worker is time that a statutory body would not have to spend in supporting the person concerned.

Looking in more detail at the savings cost of each intervention and focusing on the risk of homelessness. Neighbourhood Networks have calculated that preventing a person from becoming homeless in Argyll and Bute has direct costs of £2,180 – excluding Community Living Worker support time. Time which otherwise would be provided by a statutory body.

Applying the same calculation to Glasgow, a cost of £2,944 is seen. A figure of £2,840 for the same service UK wide is quoted by Homeless Link. Averaging these three figures, a typical direct prevention cost would be £2,655. Therefore using this average figure and applying it to the 150 interventions, a saving to the state of c£398,200 would be seen in Year Two.

For simplicity, Year One has taken a 4% reduction on all the base figures which, after the calculations have been made, leads to a saving to the state of c £382,272.

The time provided, 15-20 hours per crisis, is equivalent to 2.16 'people' working full time managing crises for members. If Neighbourhood Networks did not exist, statutory bodies would have to employ to cover the time. When taking salaries and overheads into account, this crisis intervention is worth £32,866 in Year 1 and £33,564 in Year Two.

### **Reduction in Over Support**

Neighbourhood Networks carried out an analysis of their own services in Argyll & Bute in 2010 and, from that work, identified £41,730 of 'over support' that could be saved by the local council through making more use of the Neighbourhood Networks model. Over support is where support is duplicated between agencies or where the person, to whom the support is being provided, is capable of becoming more independent and so ceasing to need the support. With all councils looking to cut costs, reducing over support is critical.

In Argyll & Bute in FY 2009-2010 (Year Two), 25 vulnerable individuals were supported. If the over support spend is apportioned equally between them, this leads to an over support figure of £1,669.20 per individual. If we then assume 1) that similar over support will be seen in the other operational areas of North Lanarkshire and Glasgow and 2) that the figure of £1,669.20 can be discounted by 5% for FY 2008-2009 (Year One) to £1,585.74, the following table is generated.

Authority	Year One		Year Two	
	Number Of People	Reduction in Over Support	Number Of People	Reduction in Over Support
Base		£1,585.74		£1,669.20
Argyll & Bute	27	£42,815	25	£41,730
North Lanarkshire	17	£26,958	18	£30,046
Glasgow	45	£71,358	50	£83,460
<b>Totals</b>	<b>89</b>	<b>£141,131</b>	<b>93</b>	<b>£155,236</b>

Note: rounded to the nearest whole figure

The over support saving is therefore part of the displacement gains generated by Neighbourhood Network's operations and is added into the overall gains of the organisation.

The table below sums up the displacement gain costs.

### Summary of Displacement Gains

Area	Year One	Year Two
Standard Displacement Gains	£211,037	£232,184
"Social" Displacement Gains	£170,893	£186,763
Members' own activities	£195,552	£185,746
Crisis Prevention	£398,200	£382,272
Staffing Costs	£32,866	£33,564
Reduction in Over Support	£141,131	£155,236
<b>Total</b>	<b>£1,149,679</b>	<b>£1,175,765</b>

It should be noted that The Questant Process looks at a relatively small number of displacements. There may be other displacements which create greater gains or, conversely, produce lesser gains. The Questant Process is a snapshot in time and, if repeated at a different timescale, may give a different outcome.

## **7.0 Benefit Gain to the Public Purse**

Any other form of service provision which helps to reduce the costs of state support also provides a benefit gain to the public purse although, given the variance in demand, it is less quantifiable than moving a person into work.

“Support services” encompasses a broad range of services and those services which Neighbourhood Networks offers its members fit well within this remit. Indeed, its emergency support work for its members DIRECTLY reduces the cost to the public purse.

Getting individuals off state benefits and back into employment is regarded as beneficial to society as a whole and is a key plank of most Government policy. The same applies to maintaining people in employment through the provision of support services which allow them to continue to work.

In purely financial terms, moving people into employment, whether pre or post further education, reduces the drain on the public purse. In non-financial terms, it is to be encouraged to allow individuals to take increasing responsibility for themselves and to reduce their dependency on the state. Government policy is increasingly moving towards reducing the benefit burden by moving more into education or employment.

The work of Neighbourhood Networks helps individuals to reduce state intervention and dependency and to become more integrated into mainstream society through reducing isolation. The routes to integration are varied but include building coping and life skills, increasing self-confidence and self-esteem and building the ability to deal with life in general.

A number of Neighbourhood Networks members work in supported employment. Numbers vary across council areas with the most members working being in Argyll and Bute. The information on whether a member is working is not officially gathered but the North Lanarkshire team has provided, from their personal knowledge of members, the following for Year Two.

In North Lanarkshire, 10 are currently (Year Two) in supported employment and 2 at college and it is understood that the same ratios apply across the other two council areas and for previous years.

Therefore of the 89 members in Year Two, the employment status of 10 is known. They are employed on or about minimum wage; none are employed at a wage in excess of minimum wage.

Extrapolating this data for Years One and Two, the following is obtained:

	<b>Base N. Lan</b>	<b>Percentage %</b>	<b>Extrapolation Year One</b>	<b>Extrapolation Year Two</b>
Not Working	33	73.3	65	68
Employed – Minimum Wage	10	22.2	20	21
Employed – over Minimum Wage	0	0	0	0
In Education	2	4.50	4	4
<b>Totals</b>	<b>45</b>	<b>100.00</b>	<b>89</b>	<b>93</b>

The figures for those not working or in education form the base figures for the benefit calculations in the Process. The benefit calculation shows the cost to the taxpayer of supporting those families not in work.

The Questant Process uses the example of a person moving into the workplace as a result of the intervention from Neighbourhood Networks. It has been assumed that 6.25% of those worked with by the organisation and who are currently economically inactive will eventually move into the workplace. The benefit gain is the amount that the state no longer has to pay to support this person as they are now supporting themselves through their wages.

Benefit gains are firstly considered and then tax gains. The two gains added together to give an overall figure of gain to the public purse. This is repeated for Year Two.

If a member moves into the workplace, then the total benefit gain per month of this member moving into employment was £601.31 per month in Year One and £637.85 per month in Year Two. This leads to an annual benefit gain to the public purse of **£7,215.72** per member in Year One and **£7,654.20** per member in Year Two.

From the above, it can be seen that, if the 182 members supported by Neighbourhood Networks were fully supported by benefits, then the cost to the public purse (at a minimum) for that year's members would be **£642,200** in Year One and **£711,841** in Year Two.

Whilst some of this cost would come from central government, housing and council tax support would come from the local council. The figures take no account of other support provided through the NHS, social services and similar statutory and voluntary bodies.

However, some members are already in the workplace. Looking at those who are not in the workplace, it is estimated that 6.25% (see note) of those who are economically inactive will be capable of moving into the workplace as a result of the support they received from Neighbourhood Networks. It is further assumed that they will move into the workplace at a steady rate over the year with 4 people moving into the workplace in Year one and 5 in Year Two. All move into the workplace at Minimum Wage.

This gives rise to the following benefit gain to the public purse:

	<b>Year One</b>	<b>Year Two</b>
Number Supported Overall	89	93
Number on benefit	69	73
Average benefit per annum	£7,255.69	£7,654.16
Total amount per annum for all on benefits	£497,882	£558,753
Estimate of those moving into employment during the Year – rounded to nearest whole person	4	5
A. Benefit saving to the public purse – Year One entrants to employment. See Note Below	£29,008	£28,862
B. Benefit saving to the public purse – Year Two entrants to employment.	£0.00	£38,271
<b>Total benefit saving (Box A + Box B)</b>	<b>£29,008</b>	<b>£67,133</b>

**Note:** It should be remembered that those entering the workplace in Year One will continue to work in Year Two so ‘contributing’ two full years benefit savings to the Process in the period under examination. The estimate of the number moving into work is based on one quarter of the rate of movement into work seen when organisation participants are full able, which is c 25%. This gives rise to a percentage multiplier of 6.25%.

## 8.0 Tax Gain to the Public Purse

As well as a significant benefit gain, there is a tax gain to the public purse of people being able to work. Adapting the table above we can **estimate** the tax gain from the individuals who are supported by Neighbourhood Networks. It is assumed that the support they have received helps them to cope with integrating into society better.

Income figures are not collected by the organisation but estimates were made of income levels. Taxation is then calculated from relevant HMRC data.

The table shows the annual tax take from those in employment during the review period.

	<b>Year One</b>	<b>Year Two</b>
Number in Organisation	89	93
Number estimated to be working	20	21
Of those working, the number on Minimum Wage is estimated to be:	20	21
Box A: Estimate of Tax and NI Paid those in work	£17,242	£17,396
Number moving into Work	4	5
Box B: Estimate of Tax and NI from those moving into work	£774	£1,709
Total Tax and NI Paid (Box A + Box B)	£18,016	£19,105

**Note:** new entrants will continue to pay tax and NI in Year Two

From the table it can be seen that the direct tax take to the wider economy from those in employment and those who have moved into employment is estimated at £17,242 in Year One and £17,396 in Year Two.

There will also be further tax gains received through indirect taxation such duties on goods and services and VAT but these are almost unquantifiable and therefore have been excluded from this calculation.

It should be noted that economically active people i.e. those in work, will spend more in the economy through their increased spending capacity.

## 9.0 The Overall Gain to the Public Purse

**Caveat** – it should be noted that the Organisation will contribute more to the public purse than the figures shown for Year One below. This is due to it being an ongoing organisation and these calculations have, through necessity, taken a base of zero at the start of Year One, which reduces the Year One gains.

Applying the Questant Process to the Neighbourhood Networks organisation generates positive gains outputs to the public purse. The table below outlines these gains.

	<b>Year One</b>	<b>Year Two</b>
Displacement Gain	£1,149,679	£1,175,765
Benefit Gain to the public purse	£29,008	£67,133
Tax and National Insurance Gain	£18,016	£19,105
<b>Sub Total</b>	<b>£1,055,572</b>	<b>£1,106,767</b>
Organisation Costs	£444,625	£450,419
<b>Organisation Benefit per £1.00 spent</b>	<b>£2.37</b>	<b>£2.46</b>

This table demonstrates that, for every £1.00 spent on Neighbourhood Networks in Year One, £2.37 is gained by the public purse. In Year Two, this figure increases substantially to £2.46 against a slightly increased cost base.

Therefore, in these terms, Neighbourhood Networks can be regarded as very successful and meeting the needs of its target audience in a very cost effective manner.

## **10.0 Conclusion**

The conclusions drawn from Neighbourhood Networks's analysis by the Process are simple and positive. The Process looks at hard financial data and determines the cost-effectiveness of the organisation **at a given point in time.**

The organisation, through its work, provides very good value for money for funders. For every £1.00 that goes into it, over £2.30 is generated per annum. Such positive gains show exceptional service delivery given the challenging people Neighbourhood Networks works with. As the caveat at the start of Section 8.0 notes, the Year One figure is, in reality, likely to be higher due to the continuous nature of the Organisation.

It should be noted that the Questant Process takes a 'snapshot' of an organisation at a point in time and it would be expected that if this exercise were to be repeated over a longer time frame, the impact of the Year One anomalies would be smoothed out.

The Organisation's work is contributing to a reduction in demands on the public purse. Through increasing self-esteem, self-confidence and capability to deal with society, it promotes inclusion and, through that, encourages independence and self-reliance.

This increase in independence and self-reliance leads to fewer demands on statutory services and may also lead to the potential of increased employability for the individual, allowing further integration into wider society.

In turn, increased employability generates further positive returns in terms of benefit reduction and tax gain, thereby further reducing costs to statutory services.

## Sources, caveats and calculations

1. Caveat – it should be noted that the organisation will contribute more to the public purse than the figures shown for Year One above as it is an ongoing organisation and these calculations have, through necessity, taken a base of zero at the start of Year One.
2. Member income sources are from estimates provided by staff from Neighbourhood Networks.
3. Information on homeless costs comes from [www.homeless.org.uk](http://www.homeless.org.uk)
4. A working year is taken as 365 days, less 104 days of weekends, less 12 days public holidays, less 28 days holiday = 185 working days in a working year. A working day is 7.5 hours.
5. Standard displacement gains are based on an averaged cost of a support worker taken across social and other services. Sources for this data include Glasgow City Council; Aberdeenshire Council, East Ayrshire Council, North Lanarkshire Council and Argyll & Bute Council as well as private providers. Information from private providers as some services can be sub-contracted.
6. The benefit & income calculations are based on information from the relevant local council areas; Argyll & Bute; Glasgow Housing Association, Glasgow City Council, North Lanarkshire Council and [www.direct.gov.uk](http://www.direct.gov.uk)
7. All taxation is based on tax allowances and rates for the years 2008-2009 and 2009-2010. Source: [www.hmrc.co.uk](http://www.hmrc.co.uk) and [www.direct.gov.uk](http://www.direct.gov.uk)
8. It has been assumed that 6.25% of those not currently working move into the workplace annually as a result of the Neighbourhood Networks intervention.
9. Duty gains, such as VAT & fuel, alcohol and other duties, on increased levels of purchases made by those back in employment through their extra spending power has been ignored as it cannot be quantified in any meaningful manner.
10. The benefits calculation is based on the following: The main benefit received will be either Job Seekers Allowance or Income Support – it should be noted that a person will receive one or the other, not both. In addition, that person will receive Housing Benefit and Council Tax Benefit. Housing Benefit has been calculated on a base rent taken from the average rent figure quoted on local housing association websites for the years in question. Council Tax has been assumed to be an average of the rate charged to band C and band D homes in Glasgow, North Lanarkshire and Argyll & Bute.
11. For the tax gain to the public purse calculation, the calculation is:  
(median baseline income - personal allowance = taxable income) x 0.31 tax and NI) = tax & NI paid.