

# Barclays Wealth Early Interventions: An Economic Approach to Charitable Giving

In co-operation with New Philanthropy Capital



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# About NPC



NPC is a charity consultancy and think tank dedicated to helping funders and charities to achieve a greater impact. We have an ambitious vision: to create a world in which charities and their funders are as effective as possible in improving people's lives and creating lasting change for the better. NPC provides independent research and advice for donors and charities. We encourage debate about what makes a charity effective, and we build knowledge and tools to support effectiveness. We are the only organisation to offer advice based on our own in-depth research of social issues and unique methodology of analysing charities. For further information about NPC, please visit our website [www.philanthropycapital.org](http://www.philanthropycapital.org)

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# Foreword

Two of the basic questions around giving – namely: “how?” and, “to whom?” – are fundamental to all donors, from high net worth philanthropists to individuals who want to do their bit for charity. These questions have been discussed, debated and contested – but rarely looked at from an economic perspective.

However, as many charities find their income depleted as a result of shifts in public spending and broader financial uncertainty, the debate is now more pressing and more pertinent than ever before. Amidst the clamour for resource, should we be taking a broader, utilitarian view of what can be achieved by charitable donations? And what is the effect on those charities whose causes may not always elicit the most emotional and generous responses from donors?

At Barclays Wealth we advise high net worth individuals on matters ranging from their investments to their philanthropic aims. In the former, our clients rightly expect a return on their capital, so what might they look for in the latter?

We believe that the current and future generations of wealthy individuals are socially aware, ambitious in their aims and often willing to support less popular causes – but expect to see measurable change as a result of their giving.

In the UK we have seen a number of indicators which suggest there is a clear need to look at how we approach entrenched and expensive problems in society, and the scope for wealthy individuals to make a difference has potentially never been greater.

*Early Interventions: An Economic Approach to Charitable Giving* is Barclays Wealth’s latest report on philanthropy, and it explores the areas and approaches to consider when tackling problems that have a high cost to society, as well as the economy.

We have been working in partnership with our colleagues at New Philanthropy Capital (NPC), who have conducted extensive research, surveyed experts within the charitable sector and reviewed a significant volume of economic data in order to produce this paper. NPC has also conducted an in-depth analysis of the priority issues affecting economic well-being through further research and interviews with 30 specialists.

The result is a challenging and pioneering report that helps to weigh up the issues faced by private funders who may want to move into less clearly charted waters but are confronted with a number of causes in need of support. It gives a new perspective on where effective change can be made and highlights important considerations when trying to navigate the myriad social issues faced by today’s philanthropist.

I hope that you find this report both interesting and thought-provoking.



**Thomas L. Kalaris**  
Chief Executive  
Barclays Wealth

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# Introduction

At present, charitable funding is often allocated according to personal beliefs and emotional connections. Money does not always go to the biggest problems, nor is it spent on the most effective solutions.

Is it possible to take a more analytical approach to charitable giving? What if you want your funding to improve the economic well-being of society as *well* as improving lives? At a time when society's resources are stretched, it is vital to ensure that every pound given to charities creates maximum benefit. This report explores whether a more objective approach to asset allocation can provide new insights about how to give.

This report takes an innovative approach to charitable giving. It asks: what should charitable funders do if they are attempting to tackle problems that have a high cost to society and the economy? Which interventions are most effective? And what can funders do if they want to create economic benefits for individuals and society?

The report attempts to analyse social issues and interventions according to their potential for improving 'economic well-being'. By this, we mean that we prioritise interventions that can prevent problems that are costly to society, and improve people's earning potential. We seek to apply a rational framework and a set of criteria for helping funders to choose between different issues and interventions. Throughout this report we refer to this as an 'economic approach' or as an 'economic analysis'.

It is important to recognise from the outset that most charitable work does not have to improve economic well-being. However, there is often a strong correlation between improving lives and creating economic benefit – a charity that helps to divert a young person from crime and into a job not only improves the lives of potential victims, members of the community, and indeed the young person in question. It also helps to reduce the costs of policing, courts and custody, and so creates savings for society. Furthermore, it helps the young person to earn a wage, pay tax and contribute to the economy while creating financial savings to victims and businesses. This report applies this principle more widely: it analyses the costs of different social problems and highlights where opportunities lie for maximising economic benefit.

Private funders are increasingly interested in how analysis might be able to inform their giving, and reduce the costs of social problems at a time when funding is stretched. This report begins to explore such a possibility.

## Why should funders think about this now?

Some say that we are at the beginning of a new age of philanthropy. Barclays Wealth's report published in 2009, *Tomorrow's Philanthropist*, found that a new generation of wealthy individuals is emerging who are more socially aware and ambitious in their aims, and expect to see measureable change as a result of their giving. The likes of Bill Gates and Warren Buffet are well known examples, and in the UK venture philanthropists behind initiatives such as Impetus Trust, Children's Investment Fund Foundation, SHINE and Absolute Return for Kids, are introducing new approaches that build on the work of established trusts and foundations.

As government funding shifts in response to current economic conditions, more will be expected of such funders in developing innovative solutions to society's problems. Many charities that enjoyed a government funding boom over the previous decade are finding their income depleted as a result of public spending cuts, just at the time when society's most disadvantaged groups are battling with increased living costs and higher unemployment. With resources – government, charitable, social – so scarce, generating cost savings for society and creating opportunities takes on a new importance.

Two key developments also make this study timely. With the publication of Graham Allen MP's cross-party *Early Intervention Review* on 4th July 2011, momentum is building around the case for tackling social problems at their root causes. At the same time, opportunities for social investment – where all or part of a funder's donation may be repaid or recycled through the generation of cost savings – are emerging as a promising innovation. Private funders have the unique opportunity to progress both initiatives, and economic analysis is important in helping to strengthen the case for early intervention, and in showing which issues and approaches are most suitable for social investment.

This report is intended for funders who may be ambitious about the impact of their giving. It is aimed at individual donors, philanthropists, grant-making trusts, family foundations, and corporate funders. In this report we refer to these groups collectively as 'private funders'. Such funders often find that there is a lack of independent research and analysis to guide their decision making. Barclays Wealth and New Philanthropy Capital (NPC) are keen to provide research and analysis that will encourage people to think about new ways of tackling social problems.

“We need to attract new sources of finance to back the best proven interventions and demonstrate how investing in early intervention can deliver real savings to government and greater benefits to society.”

**Charlie Green**, Private Equity Foundation (from cross-party *Early Intervention Review*, led by Graham Allen MP)

## Methodology

New Philanthropy Capital (NPC) conducted research for this report between February and June 2011. We surveyed experts to determine the research priorities, and reviewed published economic data to explore the costs of different social issues. We then conducted more detailed analysis on a subset of issues by reviewing further literature and interviewing over 30 experts. A Steering Group with representatives from government, research institutes, charities and funders provided valuable help in guiding our research. References are provided at the back of this report.

## Testing a new approach

NPC and Barclays Wealth recognise that this report attempts to test an innovative approach – it does not claim to have the final answers. Throughout the report we attempt to use the best available data, but that data has limitations. Just as the Office for National Statistics releases ‘Experimental Statistics’ to test new methods or where data is provisional,<sup>1</sup> so too this research should be seen in the spirit of learning from a new approach. We welcome feedback or suggested improvements.

# Key Findings

The landscape of human welfare issues in the UK is vast and complex. Understanding every issue and prioritising opportunities poses a significant challenge. Indeed, many believe that such a task is impossible. NPC's approach to this research led us to a number of conclusions.

## Targeting difficult issues can prevent major costs both now and in the future

Our research involved a prioritisation process: reviewing 30 issues to find the costliest; selecting six for further analysis to understand causes and links; and then researching three in detail to find interventions. This approach led us to identify some of the toughest social problems in the UK:

- **Chaotic families:** 140,000<sup>2</sup> families with multiple problems, such as substance abuse, worklessness and poor health, cost society around £12bn<sup>3</sup> a year in health and social services, and benefits. Children growing up in such families are severely disadvantaged in terms of educational attainment, life skills and future prospects, and are likely to carry significant costs to society in the future. So these families need help now.
- **Children with conduct problems:** children with emotional, behavioural and social problems are more likely to drop out of school or engage in criminal activity as teenagers. Problems generally persist into adulthood: 80%<sup>4</sup> of crime is committed by adults who had conduct problems as children, equating to around £51bn<sup>5</sup> a year. Around 1.3 million young people in the UK have serious problems with behaviour,<sup>6</sup> but only a minority get the right support to overcome their difficulties.

- **Employment difficulties due to mental health problems:** unemployment and reduced productivity as a consequence of mental health costs society £45bn<sup>7</sup> a year. Unless people get back into work, or, better still, stay in work and remain healthy, their difficulties persist and health deteriorates. Helping people with mental health problems achieve stable employment benefits not only them, but also their family, employer and the government.

These are not causes with which the general public has strong emotional connections so they are often passed over by the giving public. An economic approach can highlight neglected groups that might otherwise escape a private funder's attention.

## Effective interventions can create economic benefits as well as improving lives

In each of the three areas above, NPC found effective interventions improving lives and creating significant savings for society. Here are some examples:

- A programme using nurses to support vulnerable first-time mothers prevents many later problems which could result in a chaotic family.\* US data suggests that for every \$1 invested in the programme, over \$5 is saved in improved health and employment, and reduced crime.<sup>8</sup>

\* The programme referred to is an intervention developed in the USA. It is currently being trialled in the UK by the NHS.

- Specialist counselling in schools can help to tackle child behavioural problems. One approach shows that 71%<sup>9</sup> of children improve their behaviour in a year, and the long term savings are likely to be in the region of £3 for every £1 invested.<sup>10</sup>
- Workplace interventions to improve employees' mental health are delivered by a number of charities in partnership with employers. In one case, we calculate that for every £1 invested in the programme, £2.50 is saved in reduced unemployment and increased productivity.<sup>11</sup>

### There is a compelling case for private funders to tackle these problems

These problems have a huge impact on individual sufferers, their families and communities. They also create significant costs to the economy and lie at the root of entrenched social problems.

Private funders can take risks and a long term view in a way that is sometimes difficult for government. As a result, they can invest in tackling root causes and fund innovative approaches to long term problems, thereby achieving far-reaching impact.

But NPC discovered that funding these areas is not always straightforward, and is most likely to appeal to ambitious and engaged funders with an appetite for risk. Complex, expensive problems do not present easy options for funders, and may involve more than writing a cheque. Funders may need to structure their giving carefully, or partner with an organisation, in order to maximise impact.

### Economic analysis presents new insights and challenges

We also learnt about the challenges and benefits around the application of economic analysis. For instance, does economic analysis simply lead you to the price of everything and the value of nothing? An economic approach can sideline vital charity work – for example, in palliative care, disability or care for older people – that does not create an economic return on investment, but is nonetheless essential and important to fund. There are also practical challenges to an economic approach, in that cost data on issues and interventions is often inconsistent and difficult to compare.

However, we concluded that economic analysis has value as part of a wider approach that takes account of social impact, existing provision and other factors. It also provides a counterbalance to the way that giving is prioritised at the moment, through emotional connections with issues. An economic approach to giving can provide more analytical insights: about which issues create costs to society, where costs lie within specific issues and who bears those costs. It highlights interventions that, at a glance, may look too expensive, too long term, or simply too unpopular, and help to make a case for why it is important to fund them. It can therefore play a valuable role in informing charitable giving.

“Economic analysis cannot provide a ‘final answer’ for what donors should do, but it can help to provide better answers. As this report shows, it can help to shed a light on difficult issues that are too often neglected, and present a powerful argument for why private funders should intervene and what they can achieve. If we want to attract more and better funding to tackle social problems, we have to find new and better ways of making the argument.”

**Martin Brookes**, New Philanthropy Capital

# Section 1: Prioritising issues

In this section we provide a brief overview of our approach. We explain the steps we went through and the criteria we used to prioritise issues.

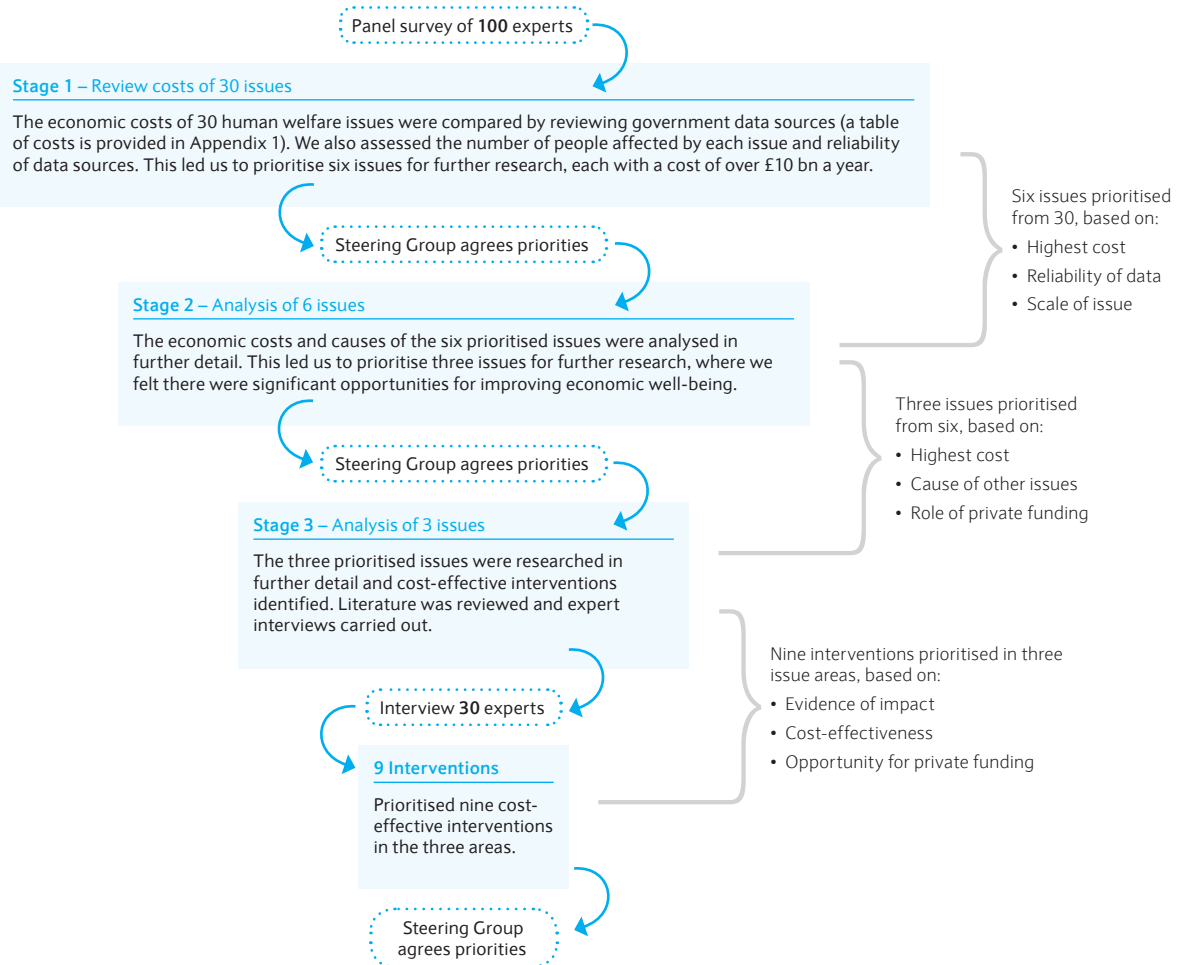
In seeking to survey the whole range of UK human welfare issues, there is a balance to be struck between producing an analysis that is comprehensive – but unwieldy and far too costly; and one that is manageable – but necessarily limited in some ways. NPC sought to address this dilemma by taking a three-stage filtering approach: steadily narrowing down the number of issues analysed and then looking at each issue in more detail (see Chart 1 on page 9). At the earlier stages we relied on reviewing literature (especially government cost data), and at the latter stages we increasingly drew on interviews with experts.

At the first stage of research, we focused on the costs of different social issues. However, an analysis of costs provides only a rough guide; there are many other factors that need to be taken into account. Ultimately, we prioritised issues that:

- have high economic costs;
- have serious impacts on affected individuals and wider society;
- lie at the root causes of, or overlap with, other issues;
- have low levels of existing provision;
- offer the potential for targeted intervention to reduce economic costs; and
- present opportunities for private funding to make a difference.

Through this process we prioritised a subset of six issues, then a final set of three issues, for further analysis. This does not represent a definitive list of the best places to intervene or the costliest issues; rather they are areas where private funding could be targeted with a high degree of confidence to improve economic well-being, as well as improving lives.

## Chart 1 – Funnelling issues



# Section 2: Focusing on high-cost problems

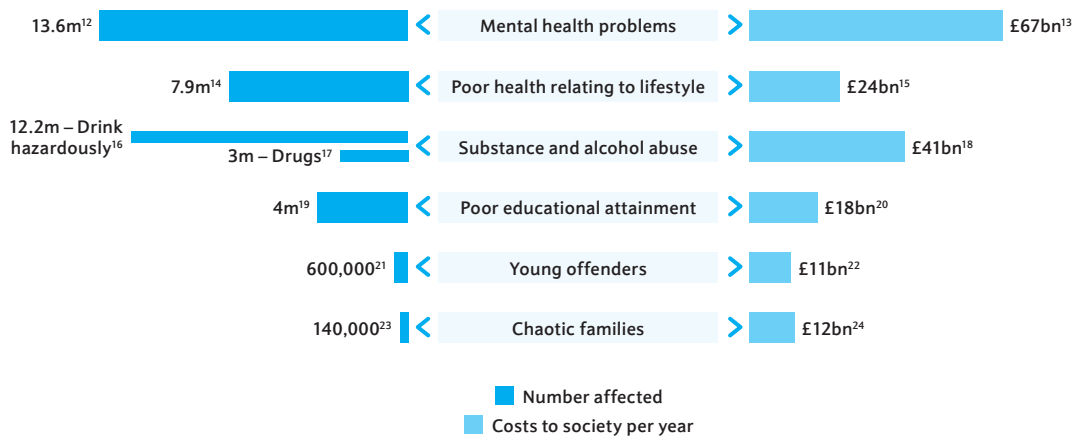
This section focuses on three priority issues. We highlight the importance of funding preventative approaches and consider how different types of funders might think through their giving. For more detail on our process and findings, please refer to the Appendices.

## Prioritising six out of 30 issues

To focus the analysis, NPC prioritised six issues that cost society at least £10bn per year (see Chart 2 below). These issues were agreed through discussion with the Steering Group. We prioritised issues where

we felt that there were opportunities for private funders to improve economic well-being. Some potentially expensive issues were excluded where data was missing or unreliable.

Chart 2 – Priority issues, impact and costs



Source: NPC research

## Prioritising three issues from the six

We analysed the causes, links and priorities within each of the six issues. This revealed key areas to target for intervention. These same areas also offered great potential for cost savings and improvement to people's opportunities (e.g., improved health, education and employment). Detailed data on these issues is available in Appendix 2 on page 31, including an explanation for why they were or were not prioritised.

From this analysis we selected three issues where we believe funding could be targeted with a high degree of confidence to improve economic well-being, whilst improving the lives of individuals and communities.

**1 Poor family environment** is at the root of many later social problems. Harsh or neglectful parenting undermines healthy childhood development, and is a risk factor for educational underachievement, youth offending, substance misuse and mental health problems. Families with complex and multiple problems face many challenges that are expensive in the short term and also carry a high future cost as these problems are passed on to the next generation.

**2 Emotional, behavioural and social problems in childhood** – closely connected to parenting – were found to seriously compromise prospects in later life. NPC identified conduct disorders as the most costly of these problems. If not tackled early, they are strongly associated with poor educational attainment, youth (and then adult) offending, poor mental health, and substance abuse .

**3 Employment of adults with mental health problems** – the sheer scale and cost of mental health problems stands out, with employment as the costliest aspect of this. Unemployment and mental health are also often connected to the two problems above. Appropriate employment, training and meaningful activity also aid recovery. The fact that successful interventions can have the double benefit of improved health *and* improved economic well-being made this subject a compelling one.

## Getting to the roots of the problem

The opportunity to create cost savings for society is higher if you tackle problems before they become serious. Tackling causes early is likely to yield better results than intervening once the problems of youth offending, substance abuse and poor educational attainment are entrenched. Meanwhile, in offering immediate economic benefits, tackling the employment of adults with mental health problems is an attractive contrast to the other two more preventative topics.

Early intervention comes with added risk – economic returns are not immediate and it can be harder to target intervention. For example, when intervening before problems emerge, it is possible that effort may be targeted towards children who would have grown up without developing problems . However, there is a unique role for private funding in taking these risks and helping to shift funding towards prevention. Chart 3 on page 12 illustrates how the focus on early intervention might affect young people at risk of offending, and Chart 4 on page 15 provides a more detailed breakdown of the costs involved, and what can be done at different stages.

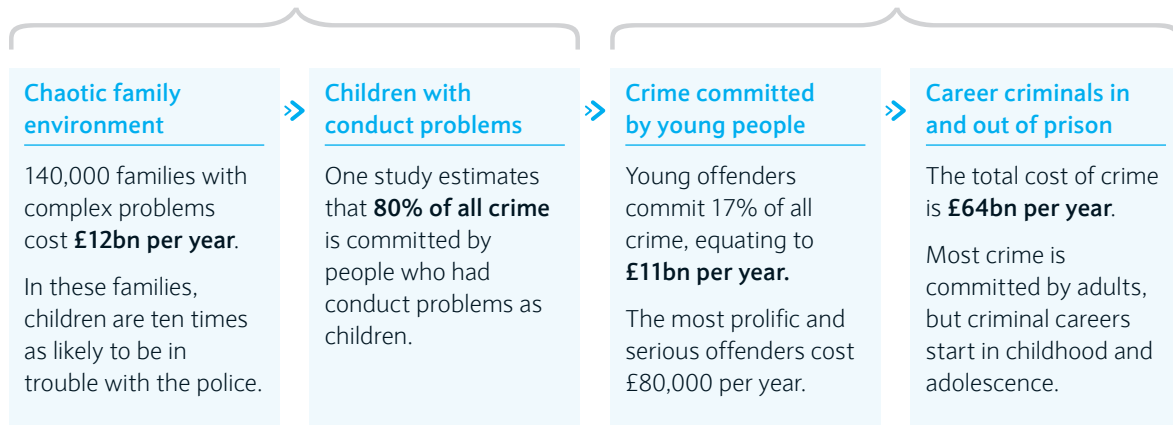
**Chart 3 – Private funders can prevent problems**

Early intervention

Early intervention is more cost-effective if it can be targeted effectively. Private funding is uniquely placed to take a long term view of impact and prevent costly problems early.

Response to problems

It is easier to target problems once they emerge. However, when problems become very serious, costs escalate, government becomes involved and the role of private funders is more limited.



Source: NPC research

“Prevention is difficult for government. It’s not an option to stop running the ambulance at the bottom of the cliff in order to sponsor the fence at the top and it’s rarely possible to pay for both. Private philanthropists are needed not only to pay for services which improve the lives of individuals, critically important though that is, but even more than that to transform the nature of the support that we as a society, offer our most vulnerable. This is the unique and crucial purpose of charity in a mixed economy.”

David Robinson, Community Links

## What can private funders do?

The early stages of our research focused on identifying and analysing social problems where additional funding could be targeted to create impact. But within these issue areas, what can private funders actually do to address these problems? What are the most effective interventions? The final stage of our research involved assessing interventions to identify which had evidence of success in tackling problems. NPC looked at over 40 interventions in total across the three issue areas. Here we provide a brief overview of themes emerging from this research, and consider how funders might approach different types of funding opportunities, before turning to look at the issues and interventions themselves in more detail in Section 3 on page 16.

### Expand effective approaches

NPC found a mix of intervention types. Some attempted to prevent problems, others to solve them; some provided proven services directly, others aimed to improve the quality of existing services, e.g., through training. We learnt about promising approaches being piloted and we highlighted those with the strongest or most encouraging evidence.

Charities provide effective interventions in the three areas we analysed. However, we looked for interventions that had strong evidence of success regardless of whether they were provided by charities, government or social enterprises. Private funders' willingness to expand programmes currently run by government may depend on their appetite for working with partners and on what they want to achieve (see below). There is also a trade-off between supporting proven interventions with strong evidence of success, or supporting small, innovative projects that look promising but are not yet established.

It was striking that during our discussions with experts, public campaigning or lobbying government rarely emerged as priorities. This is possibly because government already recognises the importance of the three issues we highlight, or possibly because there is a belief that, when resources are stretched, efforts should focus on direct support. But it could also reflect the fact that taking an economic approach tends to focus on interventions that are able to demonstrate a return on investment. Demonstrating return on investment is more difficult for research or campaigning activities because change usually occurs over a long time period, and it is very difficult to attribute eventual cost savings to a specific action.

### There is no right answer: every funder is different

Private funders are highly individualistic. They range from wealthy individuals to professional grant-makers, from corporates to family foundations. Within these types, they differ in what they aim to achieve, the approach they take and the resources at their disposal. They also differ in attitudes to risk and to partnering, and in a host of other factors. It is NPC's experience that all of these factors will influence their approach to giving and the development of a successful funding programme.

Funding strategies need to be tailored to the funder's profile, although this may change over time with experience, availability of resources, and confidence. Although funders are highly individual, it is possible to outline some broad funder profiles. Understanding these typologies will help funders to think through how they might approach issues and interventions.

- **Gift-giver:** Funders with less time or resources are likely to seek simple, effective charities to support, and see giving primarily as writing a cheque. They are more likely to prioritise low risk interventions with short term returns, and will seek investment-ready opportunities. They are more likely to fund direct services than research or campaigning. They may have less time to commit to engaging partners, or seeking wider impact through scaling an intervention. However, they can still be ambitious by co-investing through another funder with more resources and experience.

- **Focused funder:** Funders that are more willing to provide support over a number of years are likely to focus on more ambitious projects: working more closely with organisations and taking a mid to long term view of returns. They are likely to accept a level of risk in their funding, but engage with organisations in order to manage it. They may also consider wider aspects of return, such as funding an evaluation to make the economic case for an intervention to government.
- **Change-maker:** Funders with more resources can take a long term perspective to creating impact. They may have a staffed foundation with a clear strategy for what they want to achieve. They might be more willing to fund riskier approaches that require considerable resources and engagement. A change-maker will attempt to solve a problem by whatever means is necessary, not just funding a charity to deliver a service. So, they would be willing to work with partners including government and would look for wider impact, such as scaling up an intervention.

### Focusing within issues

Funders need to think carefully about where and how to intervene. We speak broadly about the importance of prevention above, but within each issue area, there are usually key points of intervention where funding can be carefully targeted to create impact. For example, parents are much more receptive to support in the earliest years, as help is not seen as stigmatising; whilst interventions for children with conduct disorders are usually more effective before the child reaches the age of ten.

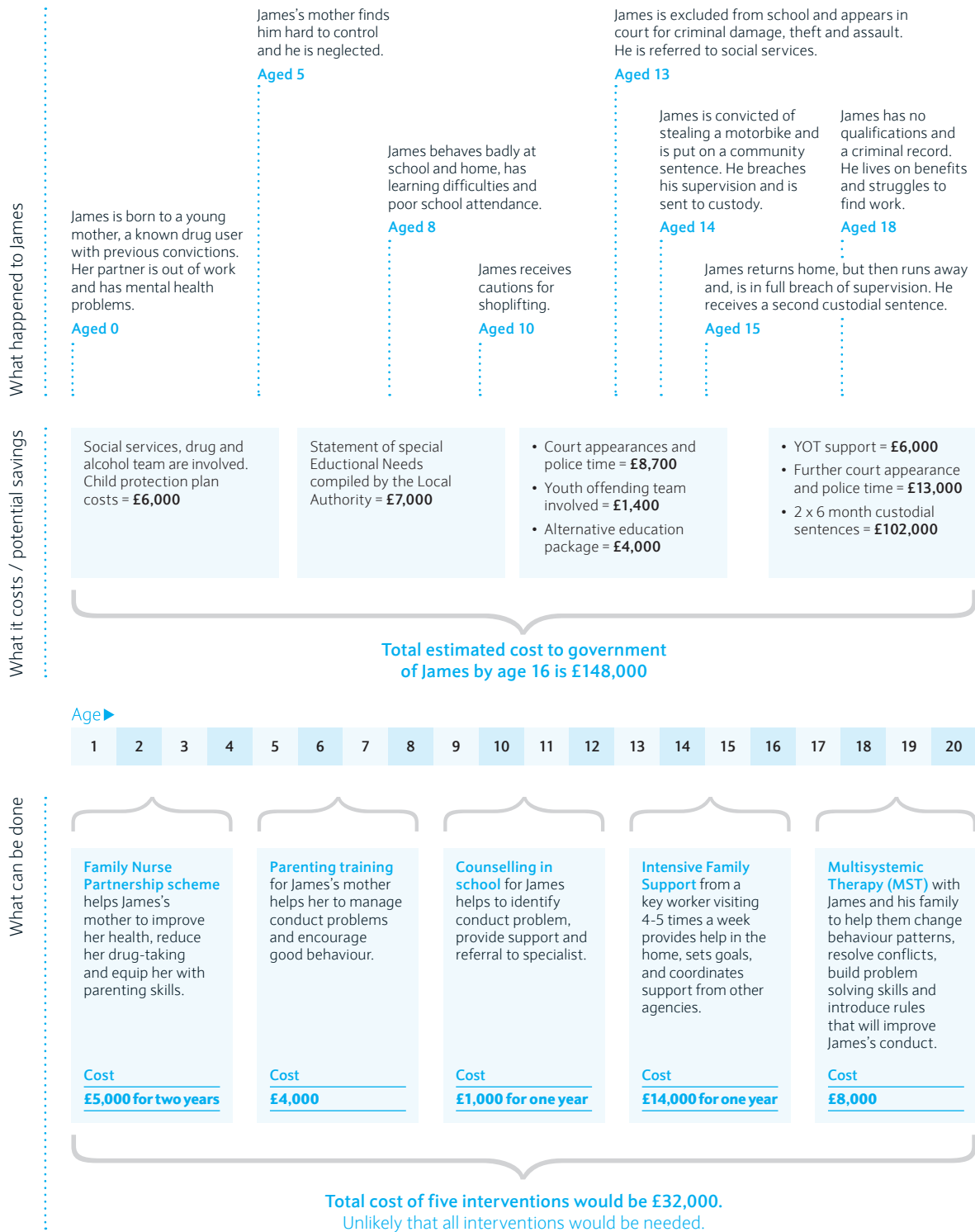
Getting to grips with the detail of each issue is essential in targeting funding effectively. Analysing where the costs of problems fall within an issue is one important aspect of this. In James’s Story (Chart 4 on page 15) it is clear that costs rapidly escalate once James enters the criminal justice system, and especially at the point of custody when he is 15. Therefore it makes sense to target intervention before this point.

In the sections that follow, we look in more detail at the three issues and highlight effective approaches for funders.

“This report sets out an eminently rational approach to analysing opportunities, based on (the best available) evidence and the aim to match funding need to a donor’s understandable desire to see social impact maximised through well-targeted funding.”

**Akhil Patel**, Department of Energy and Climate Change, formerly of the National Audit Office

**Chart 4 – James’s story: issues, costs and interventions**



Source: adapted from Audit Commission, Youth Justice 2004

# Section 3:

## Targeting support

This section analyses three issues where we believe private funding could be targeted to improve economic well-being: families with complex and multiple problems; children with conduct problems; and unemployment related to mental health problems. In each case, we highlight the scale of the problem, what is currently happening to address it, and how private funders can help. For each issue we identify three effective interventions that would benefit from additional funding. A framework for comparing these interventions is provided in Appendix 3.

### i. Families with complex and multiple problems

#### **A small number of very troubled families cost society around £12bn every year**

Around 140,000 families cost society up to £12bn a year.<sup>26</sup> This relatively small number – only 2% of all families – are families where parents face a combination of issues that might include mental ill health, physical disability, substance misuse, domestic violence, financial stress, unemployment, teenage parenthood, poor basic skills and poor housing conditions.<sup>27</sup>

Not only are these families costly to support in the short term, they also carry a high future cost, because growing up in a family with these problems compromises children's futures. It places them at risk of going into care, youth offending, poor mental health, substance abuse, low qualifications and unemployment – problems that are themselves very costly. The relationship between parental disadvantages and children's difficulties is clear: children from families experiencing five or more disadvantages are eight times as likely to be suspended or excluded from school and ten times as likely to be in trouble with the police.<sup>28</sup>

#### **Families are often resistant to help but intensive, long term support is effective**

Changing the lives of families with complex and multiple problems is not easy. Parents are often resistant to the very services designed to help them, and the most vulnerable families are least likely to access and benefit from support – often because they think that their children might be taken away or because they have been turned away from services in the past. Numerous different services (e.g., social services, housing, mental health) working independently – targeting different problems and family members in isolation – are usually ineffective.

Experts say that the key to working with the most difficult families is having one assertive key worker that can get to the bottom of the problems and co-ordinate support from different services. Small caseloads and long term, intensive support are essential: effective family interventions often involve support for over a year, with workers visiting several times a week.

Charities play an important role in working with these families. First, they are not seen as a statutory authority so it is often easier for them to gain the trust of resistant parents. Second, they are effective at drawing in volunteers from the local community to support families in trouble. This is particularly valuable both in providing essential practical help (e.g., with budgeting or mealtimes) and in providing ongoing support after a statutory intervention ends.

### Gaps in support are likely to grow as the result of funding cuts

Effective specialist services exist, but there are not nearly enough. For example, the government's commitment to doubling the Family Nurse Partnership scheme (which provides support to vulnerable young mothers) by 2015 will only cover 43% of estimated need.<sup>29</sup> Sure Start Children's Centres are likely to close in many areas,<sup>30</sup> and intensive key worker support has so far reached only a fraction of the families needing help. As services are cut, the level of need is likely to grow significantly.

Funding cuts are also leading to larger caseloads, shorter-term interventions, fewer outreach services, and referral partners with long waiting lists (particularly for mental health services). In short, reduced funding can undermine key elements of effective interventions. Although there is a good understanding of what works, additional funding is required to ensure that principles of effective practice are actually implemented.

Limited funding also means that current provision tends to focus on crisis support, with many families not referred until problems have become seriously out of control. There is a strong case for intervening earlier.<sup>31</sup> One family services manager in a local authority states that "*You cannot believe the level of unidentified need coming into children's centres.*"<sup>32</sup> Intervention is especially important in the earliest years of children's lives: more parents split up in the first year after a child's birth than at any other time. The first year is also a key time for child development: influencing a child's social and emotional development becomes harder and more expensive the later it is attempted.

### Private funders can help by:

#### 1 Preventing expensive problems by intervening early with families at risk

Private funders could help to expand the highly effective Family Nurse Partnership (FNP) scheme. Specially trained nurses visit young, first-time mothers from early pregnancy until the child is two. It is one of only two programmes globally proven to

prevent child maltreatment in an international review by The Lancet in 2008.<sup>34</sup> Mothers show greater warmth when parenting, increased confidence and higher aspirations for themselves and their children, and children develop in line with age group norms.<sup>35</sup>

FNP costs around £5,000 per family, for two years' support. A US evaluation estimates that when targeted at high-risk families, the programme creates savings of over \$5 for every \$1 invested by the time children reach 15, due to reduced welfare and criminal justice expenditure, and improved health.<sup>36</sup> When applied in the UK the savings may vary, but they provide an indication of potential. The scheme is currently run by the NHS, but gaps remain and additional private funding could support expansion outside the NHS.

#### 2 Providing ongoing practical support through volunteer services

Working alongside professionals, volunteers can provide valuable practical support to help families to stay in control, prevent them from relapsing into crisis, and improve the effectiveness of statutory interventions. Projects can be effective, for example, in helping families to complete their Child Protection Plans or managing parental mental health problems.

Given the relatively low cost of intervention, there is intuitively a strong economic case to be made for these services. A private funder could support effective services and leverage their impact by conducting an economic analysis that would strengthen the case for expansion by government.

#### 3 Expanding intensive, key worker support services

Intensive, key worker approaches have good evidence of success in supporting the most challenging families. Such services work closely with families to set goals, develop care plans, challenge behaviour, and access support to address practical needs. Results for one project<sup>37</sup> include: tenancies secured, 80% of truanting children improving school attendance, and crime and anti-social behaviour by problem families falling by 69% in the year following intervention. It costs £19,500 per family per year and creates average savings of £40,000 per family within the year. With the highest risk families the savings are even greater: over £130,000 in one year in some cases.

However, few families have access to these services, and shifts in funding are reducing the effectiveness of those that do exist. Private funding could expand services to new locations, or strengthen the economic case for funding and ensure quality delivery.

## Westminster City Council Family Recovery Programme

In 2008, Westminster City Council developed a new approach to dealing with families suffering from intergenerational problems, such as mental health issues, domestic violence and anti-social behaviour. The Family Recovery Programme (FRP) was set up to work in partnership with these at-risk families with multiple and complex needs, with a team assigned to each household and offering each family member a tailored plan with goals for improving their situations.

As Natasha Bishopp, Head of the FRP, explains: “Often the families come to us when they are at risk of having their children go into care or being evicted from their home. Our team members visit the families three to four times a week to start with. We work in a phased way, starting with the most pressing priorities first, building trust and skills, so as not to overwhelm them. We work with them with a view to helping them build their capacity to deal with their problems after we have gone.”

The public agencies involved in the FRP use detailed evaluation methods to assess their work: compiling baseline issues reports, which track mental health problems, substance abuse and children’s attendance at school, amongst other measures. The families’ perceptions are recorded, as are results at the end of the programme, six, 12 and 24 months post closure. The programme has also undertaken cost avoidance modelling internally and been externally evaluated by York Consulting on behalf of the Department for Education, using the Social Return on Investment model.

Westminster City Council has previously emphasised the need to demonstrate the positive economic impact of the FRP, as well as its effect on the well-being of local families. “We wouldn’t be here now if we didn’t evaluate our services or link our activity to being more economically effective,” Ms Bishopp confirms. This has resulted in the council undertaking research which suggested that in the first year of its programme, for every £1 spent on FRP, £2.10 in costs was avoided. A recent follow up of the first 50 families found that these savings continued at the same level in the second year (post closure to FRP).

While the targeted and intensive nature of the programme is not inexpensive – estimates have put costs per family at £19,500 per year – average cost avoidances per family have amounted to just over £40,000 per year.

Ms Bishopp agrees that preventative and early interventions are vital to making these savings. “We provide services from pregnancy onwards, and also work with children on the transition between primary and secondary school, where it is common for problems to emerge. Without this, more people would be relying on crisis services, which are much more expensive.”

Currently the FRP’s funding comes entirely from public sector sources; however Westminster City Council is looking to bring in outside funding and is exploring options for linking funds to the programme’s performance with at-risk families. “This payment by results process is a whole new area for us,” says Ms Bishopp: “However, we can see that there is a growing interest in social investment. We are also exploring the opportunity of a Social Impact Bond with the Cabinet Office.”

## ii. Conduct problems in children and adolescents

### **Around 1.3 million children have conduct problems that put them at risk of exclusion from school and involvement in crime**

Around 1.3 million young people in the UK have serious problems with behaviour.<sup>38</sup> In a quarter of these cases,<sup>39</sup> problems are so severe that the child can be diagnosed with a psychiatric condition – conduct disorder. Conduct problems and disorders are associated with low educational attainment, exclusion from school, involvement in crime, poorer physical and mental health, and a higher risk of unemployment or low-paid work.<sup>40</sup>

These problems are expensive. A young person with conduct disorder is likely to cost society around £52,000 by the age of 25 – in lost earnings, costs to the criminal justice and education systems, as well as costs to social services and the NHS.<sup>41</sup> There is also an impact on peers that is difficult to measure: one disruptive child at school can exhaust the attention and energy of teachers and reduce the quality of education for other pupils.<sup>42</sup> These costs are likely to be much higher over a lifetime. One study suggests that 80% of crime is committed by adults who had conduct problems in childhood,<sup>43</sup> which would equate to around £51bn a year.<sup>44</sup>

### **Intervening earlier is more cost-effective; however, resources are currently focused on responding to young people when problems become serious**

Spending has primarily been focused on problems once they have become serious – at anti-social behaviour and youth crime. Less is done to prevent problems earlier in life. As resources become stretched, it will become even more difficult for government to invest in preventative measures, despite the promise of significant cost savings – private funding can make a real difference here.

The most serious ‘early onset’ conduct disorders arise in childhood but need to be tackled early – treatment is less effective after children reach the age of ten.<sup>45</sup> Unfortunately, Child and Adolescent Mental Health Services (CAMHS), often have waiting lists of over six months.<sup>46</sup> Young people can also find these appointment-based services difficult to access. Outreach or drop-in services in places where young people spend time, e.g. schools and youth clubs,<sup>47</sup> are more likely to engage them to get help.

### **Additional funding could help to expand effective approaches in places where young people need support**

The government has piloted interventions with good evidence of success. However, most specialist approaches are still on a small scale: access to intensive evidence-based interventions, such as Multisystemic Therapy (MST) or family therapy (see below), is limited to just a few sites around the UK. There are a number of gaps in existing support where private funding can play a vital role: extending support in non-clinical settings to identify problems early; providing specialist support to deal with early onset conduct disorder; and providing intensive support to those in trouble to help improve their behaviour, reduce their offending and get them back into education.

“Socially and emotionally capable people are more productive, better educated, tax-paying citizens helping our nation to compete in the global economy, and make fewer demands on public expenditure.”

From cross-party Early Intervention Review, led by **Graham Allen MP**

Private funders can help by:

**1 Expanding school-based counselling services to identify problems early**

Therapeutic counselling services in primary schools – for individuals and groups as well as parents – are effective in helping children with a wide range of mental disorders, including behavioural conduct problems. They identify problems early, including lower level problems that have the potential to escalate, which might be missed by statutory services.

One charity providing drop-in counselling services has produced impressive results: 71% of the 2,344 children using the service annually show some improvement in behaviour and well-being, including 11% of children who show either a full or partial recovery.<sup>48</sup> A single year’s one-to-one and group counselling could achieve cost savings of around £6m by preventing mental health disorders in adolescence and adulthood.<sup>49</sup>

**2 Working with parents and children before problems escalate**

Children under ten with early onset conduct disorder are associated with the worst and most expensive outcomes and it becomes progressively harder to treat them in adolescence.<sup>50</sup> Parent training programmes, which help parents manage conduct problems and encourage good behaviour, have strong evidence of effectiveness. 60-70% of

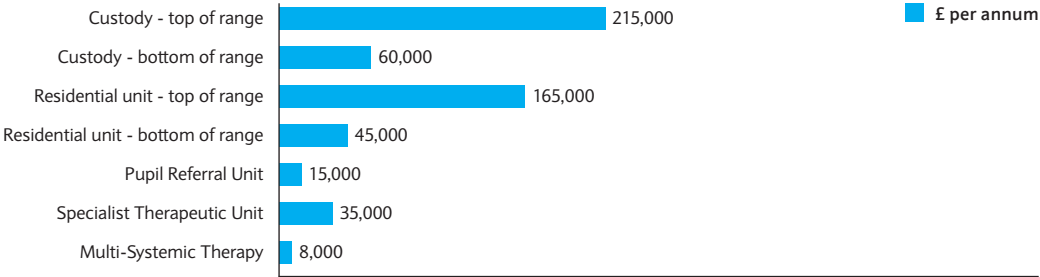
pre-adolescents receiving treatment benefit from behavioural parent training and these improvements can be maintained at one-year follow up.<sup>51</sup> The average group parenting programme costs £600–£900 per child and individual programmes cost around £4,000 per child,<sup>52</sup> which is not expensive, relative to potential costs. One study shows that a programme would only need to reduce re-offending by 2.5% for it to cover its costs.<sup>53</sup>

**3 Providing intensive support for young people when they get into trouble**

Private funders could help to expand Multisystemic Therapy (MST). An MST worker visits the family of a young person with conduct disorder two or three times a week for three to five months, liaising with schools and other agencies, e.g., social workers, youth offending teams, or Child and Adolescent Mental Health Services, to solve problems in a holistic way.

The first randomised controlled trial of MST in the UK was completed by a charity.<sup>54</sup> The results support international evidence suggesting that MST has around a 63% success rate and results in fewer criminal arrests.<sup>55</sup> Conservative estimates suggest that MST recoups its £7,000–£9,000 cost, plus an additional £2,223 per case within three years.<sup>56</sup> The long term savings are likely to be very high, though there is no conclusive data yet.

**Chart 5 – Illustration of costs once children are in trouble**



Source: NPC research

## The Brandon Centre

Founded in 1968, the Brandon Centre is a small charity that delivers psychotherapy and health services for young people mainly living in Camden, North London.

The charity has become well known for the systematic evaluation of its psychotherapy services, using internationally recognised measures since 1993. For example, the Centre has found that 47% of young people receiving psychotherapy for a year experience a clinically reliable improvement in mental health. This is likely to generate significant cost savings: the cost of psychotherapy per person is £1,800; whereas a school exclusion alone costs the education system £20,000.

The Centre's commitment to routine outcome evaluation and the use of randomised controlled trials has led to a significant increase in funding from both public sources and grant-making trusts. For example, two major grant-making trusts, the Department of Health, the Youth Justice Board, local authorities and Primary Care Trusts (PCTs) have supported the Centre's ground breaking Multisystemic therapy (MST) pilot. MST is a home and family-based, intensive intervention for young people persistently in trouble with the law or, on the edge of care and other expensive out-of-home placements.

Director of the Centre, Dr Geoffrey Baruch says that: "The contribution from private funders is absolutely essential to the work of the charity. They support vital causes that can be easily overlooked." Highlighting one instance, the Brandon Centre works with people in their late teens and early adulthood with significant mental health problems. This is still an area that is overlooked by public funding, despite numerous reports over the years arguing that this group deserves dedicated mental health services.

Dr Baruch continues: "Private funders also play an important role within philanthropy by backing innovative projects, which councils and government departments may not initially invest in. However, it is important for private funders to monitor that these projects are fully informed and properly evaluated." The Brandon Centre's MST pilot is an example of this kind of support, which as a result of its success, has led to MST being scaled up by central government, PCTs and local authorities.

Dr Baruch agrees that charitable donations are often affected by an emotional connection between the donor and the charity, rather than the proven effectiveness of an intervention or savings to the state. "Many grant-making trusts focus on young people but may be less knowledgeable about mental health problems and how they link to behaviour issues. The area we work in, helping young people with mental health and behavioural problems, is sometimes seen as not the most attractive cause. Hence raising funds is a constant and necessary battle and we continue to appeal to donors and grant-making trusts to support our endeavours in expanding the availability of high quality services for these young people."

### iii. Mental health problems and unemployment

#### Mental health problems prevent millions of adults from working

Mental health problems affect one in six adults at any one time. As well as causing considerable suffering, they cost society an estimated £67bn per year, mostly because of problems relating to securing or staying in employment.<sup>57</sup> Most of the £67bn costs arise because mental health problems prevent people from working (£25.3bn),<sup>58</sup> force them to take sick leave (£5.1bn) or reduce productivity (£15bn). Treatment and care account for just over a quarter of the cost (£21.3bn).

But people can be helped to get back to work or remain in work. By supporting the right services, private funders could improve the lives of thousands of mental health sufferers and create significant savings.

If left untreated and unsupported, many people with mental health problems struggle to lead full and productive lives and end up leaving work, or taking sick leave. There are an estimated 1.3 million people with mental health problems on benefits – a figure which has grown rapidly in recent years.<sup>59,60</sup> A further one million people with mental health problems are workless and not claiming benefits.<sup>61</sup>

#### Extending support for people with mental health problems offers significant opportunities to improve economic well-being

7.6 million people suffer from mental health problems, such as depression and anxiety, compared with 352,000 people who suffer with personality disorders and 200,000 with psychotic disorders.<sup>62</sup> The sheer volume of people with mild to moderate depression and anxiety gives rise to the majority of costs, even though the more severe psychotic illnesses are more expensive per case. So, supporting large numbers of people with these problems back to work, and helping them stay in work, would make substantial inroads into the costs.

Historically, government has provided less support to people with moderate depression and anxiety than to people with severe psychotic problems, though services are currently being expanded.<sup>63</sup> However there is good evidence that effective interventions exist to support people with mild to moderate depression and anxiety. And, as one research body states, “*Timely and effective responses to people with mental health difficulties are excellent value for public money.*”<sup>64</sup>

#### Most adults with mental health problems would benefit from, and are willing to, work

Appropriate work aids recovery.<sup>65</sup> As one study states: “*For people with a mental health condition, appropriate work has been shown to improve health outcomes and decrease the chances of relapse.*”<sup>66</sup> Conversely, prolonged periods out of work can make mental health problems worse. The irony is that the majority of people out of work due to mental health problems say that they would like to get back to work.<sup>67</sup> People do not have to be entirely symptom free to remain in (or return to) work successfully.<sup>68</sup>

So, appropriate work and treatment should complement one another. They should be integrated into a single recovery plan that culminates in the individual working without the need for intensive support. More and better integrated services are needed. However, at present, not all people with mental health problems are being treated by the NHS; they also need support to get back into work. Mainstream Job Centre Plus programmes are not tailored to the needs of people with mental health problems, so there is a case for providing more tailored support to people not in treatment as well.

## Early intervention is key

If identified early, many mental health problems can be treated or managed so that the sufferer can remain in work. Employers can help prevent mental health problems arising by promoting good mental health in the workplace – this has been shown to reduce mental health-related sickness absence and dramatically increase rates of return to work.<sup>69</sup> In addition, by identifying employees with mental health problems and providing therapy to those who need it, employers can reduce work-related stress, depression and absenteeism, and improve workplace performance.<sup>70</sup>

Not enough employers are providing this sort of support at present. This may be because they do not understand the prevalence of mental health problems – nearly half think that none of their staff will ever have a mental health problem, when the rate is actually one in six.<sup>71</sup> They therefore do not realise the cost of mental health problems to their businesses.

## Private funders can help by:

### 1 Providing specialist employment support for those not in treatment

Mental health charities provide specialist, one-to-one support: combining training, advice, job search and job preparation, which is most effective when tailored to individual needs. One charity supporting this group to set up businesses is successful in helping 40% of its clients to find work.<sup>72</sup> The programme combines ongoing support, with advice on benefits, signposting to other support, and financial assistance. Another approach providing employment support to people with mental health problems achieves a return of £1.60 for every £1 invested in year one, and assuming people remain in work, the value of the benefit will grow over time.<sup>73</sup>

### 2 Combining treatment with employment support more effectively

Tailored, one-to-one support is needed to help people undergoing mental health treatment into open employment. The Individual Placement and Support (IPS) approach places a specialist employment adviser within a mental health team, to ensure that employment support and treatment are integrated. IPS has good evidence of success: employment services that achieved high quality IPS in the US achieved average employment outcomes of 42%, and as high as 61% in some areas.<sup>74</sup>

Funding a Regional Trainer Programme for employment advisers could help to ensure quality and guarantee outcomes. The programme pilot aims to increase the rate at which clients get into competitive employment by 60%. The initiative will need voluntary funding initially to expand the training programme; though once proven and established government funding should take over. Although a robust cost-benefit study has not been undertaken, NPC believes the possible returns could be very high (up to 13:1), if the programme achieves its ambitious targets.<sup>75</sup>

### 3 Supporting employers to make their workplaces more mental health friendly

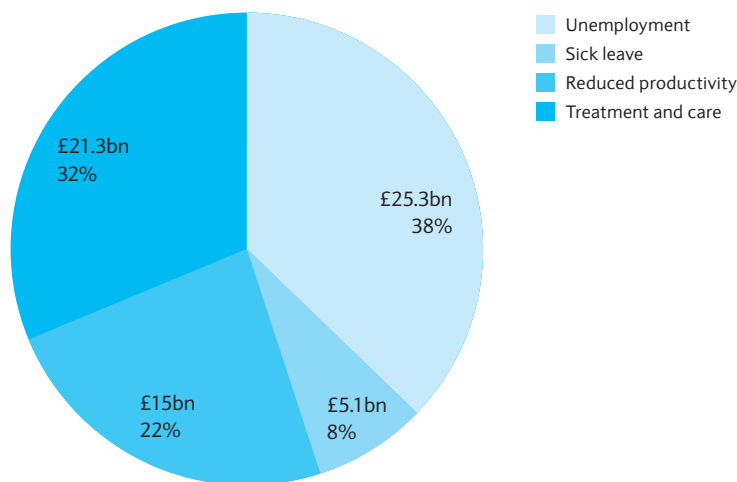
A small investment by a private funder could be used to lever in much more support from businesses. First, however, employers need to be convinced of the business case for promoting good mental health; they then need help to make the necessary changes to their workplace. Several charities provide training to line managers on mental health awareness and advice to employers, and some combine mental health promotion, screening, advice and treatment.

These programmes offer the potential to cover their own costs by selling services to employers. Various studies have shown well-designed workplace interventions to create a positive return on investment to the employer.<sup>76</sup> An illustrative calculation by NPC using the cost of a programme delivered by Unilever, together with estimates of increased productivity from the National Institute of Clinical Excellence, suggest savings of £2.50 for every £1 invested.<sup>77</sup>

“This report is a call to arms to those thinking about investing in social good, but who are concerned that their money will not achieve an impact. It is yet another building block in the infrastructure we need for social investing – and in turn, the arguments for not supporting charities working in critical areas such as mental health are reducing by the day.”

**Karl Wilding:** National Council for Voluntary Organisations (NCVO)

**Chart 6 – Mental health costs: the combined costs of unemployment, sick leave and reduced productivity dwarf treatment and care (£bn)**



Source: Adapted from Centre for Mental Health<sup>7</sup>

## Mental Health Matters

Mental Health Matters is a national charity providing support for people with mental health needs across the UK through an innovative range of services tailored to the individual. It provides support to more than 1,000 people every day, covering every aspect of their lives: from employment and housing to community support and talking therapies.

Recognising that employment is a key part of well-being and social inclusion, the charity's Wakefield-based programme, Back in Touch, supports individuals with mental health issues, learning disabilities, autistic spectrum conditions and other hidden disabilities, such as ADHD, to gain and retain employment. The service works alongside people in order to tailor services to their work aspirations and needs.

Julie Darnbrough, Service Manager for Back In Touch, explains: "We work closely with individuals to gain an understanding of their previous employment history, qualifications and experience and then focus on their future aspirations, in order to support them to find an employment pathway that is right for them."

In addition, the service works closely with local employers, supporting them to offer placement and employment opportunities, offering training to improve their understanding of disabilities and inform them of their responsibilities as employers under the Equality Act.

Early intervention is another key aspect of the organisation's work, Mrs Darnbrough confirms: "For mental health issues, we find that the longer an individual has been out of the workplace, the longer it takes for them to re-integrate, and therefore intervening as soon as possible can make a huge difference to helping our clients retain their existing employment, or gain work better suited to their needs."

Funded by local authorities, Back in Touch has not been immune to the recent public sector funding cuts, seeing contracts for some of its separate services fail to be extended. Maintaining the quality of its services and good staff has been one of the challenges faced by the organisation amid funding cuts, Mrs Darnbrough affirms.

Mrs Darnbrough says: "Whilst not currently engaging with private funders, we do demonstrate the value and benefits of our work with statutory sector commissioners like local authorities. We realise that demonstrating a return on commissioner investment, as well as our wider contribution to society and the economy, is key to future-proofing our continuing work."

This data and social return is captured in the Back in Touch quarterly and annual reports, which are produced and sent to funders. These show that the service gets over a third of its beneficiaries back into open employment, which is a high rate of success for this group.

In addition, the service carried out work last year, which calculated the cost benefit of helping individuals return to work rather than receive state support. This will be an important part of charitable giving in the future, Mrs Darnbrough believes: "Allocating money to the causes that cost society most can give private funders and companies an informed view of where to put their funds. Whilst doing so, they can re-invest in their local communities, benefiting local people, the local economy and, in turn, re-investing in their businesses."

According to Mrs Darnbrough, taking this economic approach to the organisation's work can also help in reducing the stigma of mental health problems. "Unfortunately, discrimination around mental health issues continues to exist, and so raising awareness of our work and the cost benefits to the welfare system, as well as the wider benefits to local communities, can greatly contribute to reducing stigma."

# Section 4:

## Balancing risk and return

In this section, we highlight factors that private funders ought to consider when making decisions about what they fund. The best options will depend on a range of factors, including: the amount they want to give, their level of ambition, their willingness to engage with government or other partners, their attitude to risk and so on. We map the interventions highlighted against this framework in Appendix 3 to help funders identify which approaches may be best suited to them.

### Risk

As with commercial investment, risk is not in itself a bad thing. Indeed, the ability to take risks is what gives private funders a distinct role in tackling social problems as compared with government. Private funders are able to test new ideas, fund small or innovative projects and take an entrepreneurial approach to giving. Taking these risks is absolutely essential in uncovering new ideas and helping to build the evidence base for transforming the way that services are currently delivered, particularly around early intervention. In order to understand and manage risk, the key areas that funders need to consider include:

- **Quality of evidence:** Funding interventions with good evidence of success is the best way of reducing the risk to impact. However, in some cases funders may want to support an approach that is promising but unproven, and help to strengthen its evidence. Where evidence is limited, private funders are more able to take a risk with an innovative intervention than government.
- **Time horizon of return:** Investments that show returns in a short timescale are likely to be lower risk. However, private funders' ability to take a longer term view of returns is one of their key advantages over government funders. So, looking for long term return (e.g., by funding early years work) is a way that funders can ensure that they have a role that is distinct from government.
- **Risk to delivery:** Identifying whether there are established and effective charities delivering a particular intervention is key to managing risks. In some cases an intervention (e.g., mentoring) will vary widely in effectiveness depending upon which charity delivers it. Interventions that have a clear, structured model are likely to be lower risk when replicated than those that are more flexible or rely on unique, inspirational individuals.
- **External risk:** Funders should be aware of external risks, even though they are usually hard to manage. For example, the impact achieved through an employment programme will be significantly affected by the jobs market. Other external influences may include changes to government policy or funding, or dependence on key partners.

## Return

Another thing that funders need to think about is what their funding can achieve. By return we mean social impact: how many people will be helped by an intervention, and by how much. Here, we also focus on economic return in the form of improved economic well-being: how much money is saved for society, and whether the earning potential of disadvantaged people is improved. Funders should consider the following aspects of an intervention:

- **Success rate:** An intervention's success rate provides a rough shorthand for what it achieves. However, funders should be aware that success is measured in different ways by different interventions so figures are rarely comparable. In some cases, success is binary (e.g., getting a job or not); in others, there are degrees of success (e.g., improvements in confidence). Some groups are more difficult to help than others, which will affect success rates.
- **Cost-effectiveness:** This shows what is known about the potential return on investment of different interventions. An intervention's success rate does not necessarily correlate with its cost-effectiveness: for example, an intervention can have a low success rate but still be cost-effective, if it is relatively inexpensive and prevents high costs in a few instances.
- **Wider impact / scale-up:** Some investments will provide opportunities for funders to create impact beyond the direct intervention itself. For example, by demonstrating that something works, and making an economic case, funders can encourage roll-out by government. This is likely to be most relevant for ambitious funders that wish to influence others or scale up an intervention.

The quality of evidence and reliability of economic data are important factors in determining the confidence that funders can have in potential returns. Where we have used cost-benefit ratios, we have aimed to be conservative and highlight weaknesses in methodology. However, we would still caution funders against making decisions based solely on stated success rates or cost-benefit figures, as they are of mixed reliability, and further analysis is usually needed.

## Opportunity for investment

Having identified a promising intervention to fund, there are still practical considerations. In many instances private funders may need to do more than simply write a cheque. To assess this, funders should consider:

- **Role for private funding:** Private funders need to identify where there is a clear and distinct role for additional support. There can be a reasonably clear case for private funding in piloting new approaches, funding prevention, and providing 'discretionary' support that falls outside that provided by government.
- **Investment-ready opportunity:** Where it is not possible to write a cheque directly to a charity, funders need to think through their appetite for funding through a partner, or developing an investment opportunity (e.g., a social enterprise).
- **Resources/engagement required:** Some funding options are simply more complex and expensive than others: scaling up an approach takes considerable resources and commitment over a long time period; funding a staff post for a year or two is much less demanding. Funders need to tailor their approach to their level of resources and ambition. They should also be aware that given the current limitations on government funding, there are few easy 'exits' – when a grant ends, government will not often be able to step in and continue funding. So, private funders may need to play a more active and longer-term role in supporting scale-up or developing social investment opportunities than they have in the past.

- **Social investment:** Though still at an early stage of development, opportunities for social investment (such as Social Impact Bonds) are starting to gain interest from private funders. Sectors where there are potential cost savings are good candidates for this. If an income stream can be generated from the cost savings, then it may be possible to structure a repayable investment. For example, reduced re-offending saves the government millions of pounds, so funders investing in services that achieve this outcome are rewarded for their investment by government. Some of the interventions highlighted here present opportunities for social investment.

“It is important for all funders, of any kind, to remember that the development of an idea into a fully-fledged, well managed charity takes time, energy and flexible funding. The fun and excitement for funders should be in the journey, not just the finished product.”

Victoria Hornby, Sainsbury Family Charitable Trusts

# Conclusion

This report makes a compelling argument for private funders to tackle some of the most difficult social problems in the UK. It shows that investing in innovative and evidence-based approaches can help to address these issues: improving the lives of the most disadvantaged, and creating social and economic benefits for society more widely. It highlights interventions that, at first glance, may look too expensive or too long term or simply too unpopular, and help to make a case for why they are excellent value for money, and why it is important to fund them.

- Additional support for **families with complex problems** would help to break inter-generational cycles of disadvantage: improving the lives of many families, whilst creating huge savings for society and the economy. Private funders can make a difference in the earliest years of a child's life through funding the Family Nurse Partnership scheme or supporting families in trouble through intensive key worker support. The former can create savings up to five times greater than the investment, whilst the latter can create savings averaging £40,000 per family per year.
- Additional support for **children with conduct problems** would help to tackle the roots of offending and substance misuse, preventing the vast costs and harm created by career criminals. Funding effective initiatives, such as Multisystemic Therapy (MST) and therapeutic counselling in schools, represents a fraction of the cost that is involved in addressing problems later on. It costs just £8,000 to provide MST, which is excellent value for money compared to the £60,000 cost of youth custody.
- Helping people with **mental health problems** to get and keep work would address one of the costliest problems in the UK. Work can often aid recovery from mental health problems, and most sufferers say they want to work. At the same time, there is huge potential to create economic benefits for government, businesses and individuals, through helping sufferers to manage conditions and stay in work. Working with employers to help people stay in work and improve productivity can create savings of £2.50 for every £1 invested.

These are all difficult, gritty subjects that currently receive very little attention or private funding, but where there is opportunity for creating real change.

Private funders have a unique opportunity to fund initiatives that the government currently cannot: innovative, early stage projects and preventative approaches. There remains an overwhelming bias in favour of late intervention and only responding to expensive problems when they reach a point of crisis. We know that this is expensive and long term success is limited. But the argument for early intervention needs to be proved beyond doubt before government allocates resources in favour of prevention – something that can be achieved through private funding.

Private funders may also want to consider collaborating and learning from other funders. There are many excellent well established trusts and foundations that have expertise in the issues outlined here. For private funders at the start of their journey, or with limited time, established funders can be an invaluable source of advice and expertise. The best results will be achieved through collaboration, where funders work together to support effective initiatives and convince government of their long term value.

The challenges are significant, but private funders can play a unique role in creating change. They can take a long term perspective and invest in tackling the root causes of problems at a time when public resources are stretched. They can fund early intervention, support unmet needs, and develop innovative solutions to social problems. As well as changing the lives of individuals and families, and improving communities, effective funding can create enormous benefits for society and the economy; but more importantly, it can help to transform the way that we as a society identify and support the most vulnerable.

# Appendices

## Appendix 1: 30 issues reviewed at Stage 1

Issue	No. of people impacted (millions)	Cost £bn	Comments	Priority for economic approach
Mental Health problems	13.6 <sup>78</sup>	67.0 <sup>79</sup>	Obvious target	High
Crime	9.6 crimes 1.7 offenders <sup>80</sup>	64.0 <sup>81</sup>	Obvious target	High
Heart disease	9.9 <sup>82</sup>	29.1 <sup>83</sup>	Overlaps with obesity and diabetes: merged to form issue around poor health	High
Hazardous drinking	12.2 <sup>84</sup>	20.0 <sup>85</sup>	Best merged with substance abuse, as many factors common to both	High
Obesity	12.3 <sup>86</sup>	16.0 <sup>87</sup>	Overlaps with heart disease and diabetes: merged to form issue around poor health	High
Substance abuse	2.0 <sup>88</sup>	15.4 <sup>89</sup>	Best merged with hazardous drinking	High
Literacy	12.0 <sup>90</sup>	2.0 <sup>91</sup>	Overlaps with other issues so best absorbed into poor educational attainment	Medium
Diabetes	2.6	11.0	Overlaps with heart disease and obesity: merged to form issue around poor health	Medium
Numeracy	10.0 <sup>92</sup>	2.4 <sup>93</sup>	Overlaps with other issues so best absorbed into poor educational attainment	Medium
Arthritis	8.9 <sup>94</sup>	6.0 <sup>95</sup>		Medium
Disability	10.0 <sup>96</sup>	11.0 <sup>97</sup>	Data limited. Limited possibility of reducing economic burden.	Medium
Child abuse	6.0 <sup>98</sup>	1.8 <sup>99</sup>	Data very limited	Medium
Cancer	2.0 <sup>100</sup>	5.5 <sup>101</sup>	Data limited to health data – does not include social data	Medium
Domestic violence	7.4 <sup>102</sup>	2.5 <sup>103</sup>	Difficult to estimate wider costs	Medium
Dementia	0.8 <sup>104</sup>	23.0 <sup>105</sup>	Currently appears as though opportunities for reducing costs are limited. Further analysis may reveal otherwise	Medium
Special Educational Needs	0.7 <sup>106</sup>	3.6 <sup>107</sup>	Overlaps with other issues so best absorbed into poor educational attainment	Medium
Truancy and exclusion	0.2 <sup>108</sup>	1.2 <sup>109</sup>	Overlaps with other issues so best absorbed into poor educational attainment	Medium
Children in care	0.06 <sup>110</sup>	2.2 <sup>111</sup>	Small scale	Medium
Financial exclusion	3.0 <sup>112</sup>	0.5 <sup>113</sup>	Costs hard to extrapolate	Low
Gambling	1.6 <sup>114</sup>	8.7 <sup>115</sup>	Unreliable costs	Low
Divorce	0.1 <sup>116</sup>	42.0 <sup>117</sup>	Data very unreliable and not credible	Low
Bereavement	0.07 <sup>118</sup>	No cost data	No cost data	Low
HIV	0.1 <sup>119</sup>	0.4 <sup>120</sup>	Small scale	Low
Racist incidents	0.06 <sup>121</sup>	No cost data	No cost data	Low
Asylum seekers and refugees	0.3 <sup>122</sup>	No cost data	No cost data	Low
Isolation among older people	1.7 <sup>123</sup>	1.7 <sup>124</sup>	Unreliable scale and costs	Low
Homelessness	0.06 <sup>125</sup>	1.0 <sup>126</sup>	Small scale	Low
Bullying	2.6 <sup>127</sup>	32.0 <sup>128</sup>	Very unreliable costs	Low
Carers	6.0 <sup>129</sup>	2.0 <sup>130</sup>	Low cost – although contribution to society huge	Low
Digital exclusion	6.0 <sup>131</sup>	2.8 <sup>132</sup>	Unreliable costs	Low

## Appendix 2: Six issues analysed at Stage 2

Table 1: Mental health

<b>Costs</b>	<b>Total cost is £67bn.</b> Most of the costs are due to <b>lost earnings</b> (£45bn in lost economic output), <sup>133</sup> which are mainly due to the large number of people experiencing mild to moderate symptoms of emotional disorders. Stress, anxiety and depression combined are the greatest cause of sickness absence in the UK. <sup>134</sup>
<b>Impacts</b>	Poor mental health is distressing for the individual and can lead to problems in personal and family relationships. It can also lead to lower qualifications, difficulty finding or maintaining work, financial and housing insecurity, substance abuse, poor physical health and problems with the criminal justice system. <sup>135</sup> Mental health problems most often begin early in life and cause disability when those affected would normally be at their most productive (unlike most physical illnesses). <sup>136</sup>
<b>Key causes and risk factors</b>	<p>The majority of <b>mental health problems start in childhood</b>. Half of lifetime mental health problems have already developed by the age of 14.<sup>137</sup> Among all adults with depression or anxiety, 71.3% first manifested symptoms in adolescence and out of those who had symptoms of depression or anxiety during childhood, 86% continued to have these problems in later life.<sup>138</sup> The biggest risk factors for mental health problems in early childhood are <b>parenting style, family environment and parental mental health</b>.<sup>139</sup></p> <p><b>Other causes depending on mental health problems</b> may include genetic factors, personality, traumatic life events, drug abuse, abuse, isolation, unemployment, homelessness, financial strain, and long term caring.</p> <p><b>Periods of transition</b> in life can influence the onset of mental health problems. Such transitions might be starting school, leaving home, starting work, redundancy and retirement.</p>
<b>Existing provision</b>	<b>Government services focus on treating severe cases.</b> <sup>140</sup> The majority of NHS resources for mental illness go to the 1% of the population who have psychotic disorders. <sup>141</sup> Counselling for those with less severe problems is offered through GPs or community mental health teams but due to long waiting lists can often be passed on to local mental health charities. Employment support services may be at risk of government cuts.
<b>Opportunity to target intervention to reduce economic costs</b>	<p><b>Target intervention at conduct disorder in childhood.</b> Massive savings if intervention proves successful (target both extreme conduct disorders and moderate). A successful intervention would save £230,000 for every child with severe conduct disorder and £115 for moderate cases.<sup>142</sup> Programmes aimed at prevention are the most effective, in particular, behavioural parent training.</p> <p><b>Target people with mental health problems who are unemployed.</b> Most of the costs of mental health problems seem to lie with the large number of people experiencing mild to moderate depression and anxiety who fall out of work. There is an opportunity to reduce these costs by supporting recovery-focused programmes.</p>
<b>Role for private funders</b>	There is a clear role for private funders in <b>supporting people with mild to moderate depression and anxiety</b> who do not currently receive support from government services. There are many good charities working in this area and there is good evidence that effective approaches can create significant savings in a short time-scale by helping people back into work, or by helping those already in work to stay there.
<b>Rationale for prioritisation or not</b>	<b>Prioritised in two areas.</b> <b>Children with conduct disorders</b> are a priority because they are linked to so many negative outcomes – other mental health problems in later life, substance abuse, poor education and crime. These problems all have very high costs. <b>Employment</b> is one way to help people with mental health problems: only a quarter of people with long term problems work, even though over half would like to.

Table 2: Young offenders

<b>Costs</b>	<p>Total cost to society of youth offending is estimated to be <b>up to £11bn</b>.<sup>143</sup> This includes, cost to government to respond to crime (£2.4bn), property stolen or damaged (£3.4bn), emotional and physical impact on victims (£3.3bn), security and insurance (£1bn) and lost output (£0.7bn).</p> <p>MOJ estimates that each prolific young offender costs society £80,000 per year.<sup>144</sup> One study puts the lifetime cost of a prolific offender at £1.5m.<sup>145</sup> <b>Overall, most costs are incurred by victims.</b> For government, most cost is incurred through dealing with serious and prolific offenders, who are sent to custody. Only 3% of offences brought to justice result in custody, but 38% of the youth justice system expenditure is on providing custodial places.<sup>146</sup></p>
<b>Impacts</b>	<p>The <b>biggest impact is on the victims of crime</b> who suffer physically and psychologically, particularly in the case of violent crimes, and materially in the case of property crimes. Fear of crime has a substantial impact on communities, causing insecurity and mistrust. Convicted offenders will receive punishment, loss of liberty and a criminal record, which affects their future opportunities.</p>
<b>Key causes and risk factors</b>	<p>The risk factors for youth offending overlap to a very large degree with those for educational underachievement, substance misuse, young parenthood, and adolescent mental health problems. Some studies suggest that 80% of all criminal activity is attributable to people who had <b>conduct problems in childhood and adolescence</b>.<sup>147</sup> This may in turn be linked back to <b>family environment</b>. 75% of those in custody have lived with someone other than a parent;<sup>148</sup> around a third have witnessed domestic violence and/or suffered abuse;<sup>149</sup> 41% have experienced bereavement.<sup>150</sup> <b>Children in care</b> are three times as likely to receive a caution or conviction than other children.<sup>151</sup></p>
<b>Existing provision</b>	<p>There has been lots of investment into youth justice since 1997, through the introduction of YOTs, increased use of custody and 'net widening' (eg, ASBOs).<sup>152</sup> The availability of appropriate mental health treatment, accommodation and educational support are particular problems, in prevention, sentencing and resettlement. Only a fifth of primary school children identifiably at high risk of prolific offending receive a family or parenting intervention.<sup>153</sup></p>
<b>Opportunity to target intervention to reduce economic costs</b>	<p><b>Focus on prolific young offenders</b> – they make up only around 4% of the youth offending cohort, but are responsible for around a third of youth crime, including most of the serious offences.<sup>154</sup> The most prolific offenders start early, often before age ten and are convicted by 13. This group can be targeted through focusing on <b>conduct problems in young people</b>.</p> <p>There are also opportunities for diverting non-violent offenders from custody, supporting them to avoid breach and properly resettling prolific offenders. Preventing one in ten young offenders from ending up in custody would save more than £100m per year.<sup>155</sup></p>
<b>Role for private funders</b>	<p>Once young people become involved in the criminal justice system, statutory services are heavily involved and the role of private funding is limited. Charities and private funders can play a crucial role in preventing problems before they become serious and expensive.</p>
<b>Rationale for prioritisation or not</b>	<p><b>Not prioritised directly, but causal issues prioritised.</b> There is a very strong case for private funders to invest in solutions for tackling youth crime, especially targeting prolific young offenders. However, <b>it makes sense to target more resources earlier</b>, before problems become entrenched and young people become caught up in the criminal justice system.</p>

**Table 3: Families with complex problems**

<b>Costs</b>	140,000 families with complex problems are estimated to create costs of <b>up to £12bn</b> per year. <sup>156</sup> A family suffering from five problems (depression, alcohol misuse, domestic violence, short periods of homelessness, and being involved in criminality) can cost between £55,000 and £115,000 per year. <sup>157</sup> These figures only reflect the costs of parental problems, they do not include the costs of the children, which can be significant, especially if the child is taken into care (up to £300,000 per year). Most of the <b>cost falls to government services</b> .
<b>Impacts</b>	<p>These are families where parents face a <b>combination of issues</b> that may include mental ill-health, physical disability, substance misuse, domestic violence, financial stress, unemployment, teenage parenthood, poor basic skills and poor housing conditions.<sup>158</sup></p> <p>The outcomes for children in these families are poor. A child in a chaotic family is more than ten times as likely to have been in trouble with the police; three times as likely to be well below average at English; and more than twice as likely to drink alcohol at least once a week.<sup>159</sup></p>
<b>Key causes and risk factors</b>	Many of the disadvantages that define families as ‘chaotic’ are a result of <b>inter-generational deprivation</b> . Poor family environment – the problems of domestic violence, child abuse, mental ill health, substance misuse and unemployment – is often passed between generations, through harsh and neglectful parenting and poor educational achievement. The causes are extremely complex and overlapping. There is no one key cause.
<b>Existing provision</b>	Government has explicitly prioritised families with complex problems for support. However, there are still not enough specialist services – for example, even the Coalition’s commitment to <b>doubling the Family Nurse Partnership by 2015 will only cover 43% of estimated need</b> . <sup>160</sup> Sure Start Children’s Centres are likely to close in a number of areas, <sup>161</sup> and Family Intervention Services have so far reached only a fraction of the estimated need in the country. There are many good children’s charities involved in this sector, however, families with complex problems are not a popular issue for voluntary funding.
<b>Opportunity to target intervention to reduce economic costs</b>	<p>There is a good argument for funding <b>preventative services</b> because once complex family problems become entrenched, parents become much more resistant to support and the cost of intervention spirals. One early intervention programme provides savings five times greater than the cost of the programme for high-risk families by the time children are aged 15.<sup>162</sup></p> <p><b>Working with the most challenging families.</b> There is good evidence that intensive and long term support is successful in creating savings within one year. Key worker support can cost £19,500 per family per year, and can create average savings of £40,000 per family per year.<sup>163</sup> The savings can be much higher for high-risk families.</p>
<b>Role for private funders</b>	There is a compelling case for additional funding, especially to expand <b>early intervention services</b> and <b>intensive family support</b> . There are many excellent charities working in this sector, a number of engaged funders that would welcome partnership, and a strong case for improving economic well-being.
<b>Rationale for prioritisation or not</b>	<b>Prioritised.</b> Given the very high costs associated with a relatively small number of families, and the inter-generational nature of these problems, there is a <b>very strong case for funders to target intervention here</b> . Intervening to support families with multiple problems not only tackles expensive parental problems in the short term, but also many of the most costly social problems of the future, which have their roots in childhood and poor family environment.

**Table 4: Substance misuse**

<b>Costs</b>	Substance misuse costs around <b>£41bn per year</b> . <sup>164</sup> About two-fifths of these costs (£15bn) are to the state. The remainder are costs to individuals (£20bn) and businesses (£6bn). Much of the cost is due to <b>substance-motivated crime</b> . The total cost of this is £26bn, of which £11bn falls to the state and £15bn falls to victims of crime.
<b>Impacts</b>	Substance misuse causes <b>serious short and long term health problems</b> . These can include: mental health problems, risk of accidents, alcohol poisoning, overdose, diseases transferred by needle use, cirrhosis, cancer, and premature death. Substance misuse <b>affects people's ability to work</b> . 17 million working days are lost per year due to alcohol. Around 34% of drug users have been sacked from their job. <sup>165</sup> Substance misuse often <b>leads to family breakdown</b> . Marriages where there are alcohol problems are twice as likely to end in divorce. People with an alcohol problem commit 360,000 incidents of domestic violence per year. Approximately 10,000 children of heroin addicts are in care (one sixth of the total care population). <sup>166</sup>
<b>Key causes and risk factors</b>	<b>Emotional and behavioural disorders in young people</b> are associated with an increased risk of experimentation, misuse and dependence. As with other problems, <b>family and home environment are key</b> . Stress, and particularly early exposure to stress, is linked to early drug use and later drug problems; this could be caused by physical or sexual abuse, or witnessing violence. <b>Peer influence</b> also has a large impact. Young people with low self esteem and poor bonds with adults outside the family (e.g., teachers) are more likely to abuse drugs; poor school performance can be a sign of this. <sup>167</sup>
<b>Existing provision</b>	The focus of government has been, and remains, to combat the most problematic drug users. However, others do not receive all the support they require. There are around 150,000 problem drug users not in treatment in the UK. <sup>168</sup> Further support is needed to help groups not reached by government, including <b>drug users that do not meet the threshold for support</b> .
<b>Opportunity to target intervention to reduce economic costs</b>	Long term substance misuse is very difficult to tackle. Only 3% of problem drug users leave treatment free of dependency. <sup>169</sup> Therefore it makes sense to <b>tackle risk factors before they become entrenched</b> . However, targeting early intervention to prevent long term substance misuse is difficult. Reducing the number of <b>children of heroin addicts in care</b> would reduce costs to the state significantly. Focusing on the families with complex problems may be the best way to target this. In terms of hazardous drinking, a priority for some campaigners may be <b>raising the price of alcohol</b> , however, it is not clear that there is a role for direct charitable intervention here.
<b>Role for private funders</b>	Charities <b>help users access support</b> for conditions associated with substance abuse. A key role for private funders may be in providing the <b>wrap-around support to families</b> in trouble, where there are substance misuse issues. Most of the high impact solutions to alcohol abuse are in the <b>hands of government</b> , e.g., minimum pricing. Therefore, much of the role of charities is to lobby government and to provide information and support.
<b>Rationale for prioritisation or not</b>	<b>Not prioritised directly, but causal issues prioritised</b> . Treating entrenched drug use is extremely difficult. Although charities often deliver treatment services, this is usually funded by the state rather than private funders. There is a strong case for intervening through the related issues of <b>families with complex problems</b> and children with <b>emotional, social and behavioural problems</b> .

**Table 5: Poor educational attainment**

<b>Costs</b>	The cost of people not in education, employment and training (NEETs) is estimated to be <b>around £18bn per year</b> . <sup>170</sup> The costs of poor literacy and numeracy, Special Educational Needs (SEN), and truancy and exclusion are also substantial, however, there is considerable overlap with the cost of NEETs. Most of the economic impact relates to the long term costs of benefits and lost employment due to low qualifications. Educational underachievement is a large and complex issue, so it is difficult to determine costs accurately.
<b>Impacts</b>	Educational underachievement can have a lasting impact on an individual's life. Consequences include: greater likelihood of <b>disengaging with school</b> (immediate), and <b>low income</b> and <b>higher risk of unemployment</b> (long term). People with poor numeracy skills are more than twice as likely to be unemployed as those who are competent at numeracy. <sup>171</sup> <b>Exclusion and conduct disorders are linked to higher crime</b> – 65% of teenagers who truant once a week report offending compared to 30% peers. <sup>172</sup> Lower confidence is also a long term effect of educational underachievement.
<b>Key causes and risk factors</b>	The main causes of educational underachievement are home and family life; attitudes; quality of school and teaching; and peer influence. Of these, <b>home life</b> is most strongly linked with later outcomes. <sup>173</sup> 73% of school-age children looked after continuously for 12 months have some form of Special Educational Need. <sup>174</sup> <b>Behavioural problems</b> including conduct disorder are strongly linked with truancy and exclusion from school, as well as other forms of underachievement. However, it is difficult to separate cause and consequence.
<b>Existing provision</b>	Government has done a lot to try and improve literacy and numeracy, reduce truancy and exclusion, and address the levels of young people not in education, employment and training. However, the <b>proportion of NEETs has remained stubbornly unchanged</b> for a decade, and increased in recent years as the jobs market has shrunk. The government provides extra support for children with SEN. However, many parents <b>struggle to obtain a statement of SEN</b> , especially low-income families, who may be less well equipped to navigate the process of obtaining a statement. Pupil Referral Units (PRUs) for <b>permanently excluded children</b> are generally not considered to be effective.
<b>Opportunity to target intervention to reduce economic costs</b>	A clear priority is for <b>early intervention</b> (ie, in early years or at primary school) to prevent poor educational attainment later in life. This period is also important in defining attitudes and enthusiasm for learning. Within early intervention, priorities include: <b>promoting a positive family environment</b> and supporting <b>children with behavioural, emotional and social problems</b> . Educational underachievement is a particular problem for <b>children with SEN who do not qualify for statements</b> , and existing support does not always work well. <b>Conduct problems</b> in particular are linked to very expensive outcomes, such as exclusion from school, pupil referral units, and youth offending, so there is a strong case for targeting support here to create savings.
<b>Role for private funders</b>	There is a considerable role for private funders, however, <b>attention should be focused at a sub-issue</b> , e.g., social, emotional and behavioural problems, where charities can make a difference. Charities play a significant role in running special schools, providing alternative education for children with SEN or education problems, those with behaviour problems or who have been permanently excluded.
<b>Rationale for prioritisation or not</b>	<b>Not prioritised directly, but causal issues prioritised.</b> There is a strong case for investing to tackle educational underachievement, however, the issue is so large and overlaps with so many other problems, that it is arguably best tackled through route causes of underachievement, such as <b>poor family environment</b> , or costly sub-issues such as <b>conduct problems</b> .

**Table 6: Poor health due to lifestyle: includes diabetes, cardiovascular disease and obesity**

<b>Costs</b>	<b>Total cost is £24bn per year.</b> This consists of £11.5bn direct costs to the NHS, <sup>175</sup> and lost earnings of £12.5bn per year. <sup>176</sup> The separate costs of diabetes, Cardiovascular Disease (CVD) and obesity are higher than this, however, there is overlap between these illnesses. Around 38% of the cost of CVD and 68% <sup>178</sup> of the cost of diabetes are linked to obesity.
<b>Impacts</b>	Obesity, CVD and diabetes cause a range of symptoms that have a serious impact on health and well-being. They also put sufferers at risk of other conditions, and are associated with psychological impacts. For example, depression is common in obese patients. <sup>179</sup> The impact on carers and families is considerable. However, poor physical health is <b>not a root cause of other social issues</b> to the same extent as other problems highlighted here.
<b>Key causes and risk factors</b>	Based on the inter-relation of the conditions, <b>obesity</b> appears to be the highest in the causal chain. Obesity is a risk factor for a range of other diseases, particularly CVD and diabetes. The main causes of increasing obesity are a <b>poor diet and a lack of physical exercise</b> , which can be linked back to social and cultural factors, and family habits, around attitudes to food, and access to healthy foods. The trend of <b>weight problems in children</b> is a particular cause for concern because excess weight in childhood usually continues into adulthood. <sup>180</sup> Some ethnic groups, particularly Afro-Caribbeans and South Asians, have increased risk.
<b>Existing provision</b>	The government published a strategy for obesity in 2008, entitled <i>Healthy Weight, Healthy Lives</i> . Emerging from this were a number of initiatives, such as Change4Life, a campaign designed to encourage people in the UK to 'Eat well, move more'. However, it is not clear how many of the proposed initiatives are still in place, or how much progress was made. <b>Funding for public health initiatives looks set to be reduced.</b> Charities are involved in research, lobbying and providing information to sufferers.
<b>Opportunity to target intervention to reduce economic costs</b>	Based on the association described above, <b>tackling obesity</b> would have a knock-on effect on the prevalence of CVD and Diabetes. So it makes sense to target intervention here.  <b>Intervention in childhood</b> would both reduce the likelihood that poor diet and lack of physical activity would lead on to related conditions, and potentially reduce the possibility of risk developing in the first place. There is evidence that excess weight in childhood continues into adulthood. Intervening early to change attitudes is likely to be the best way to target intervention, though cost savings would be realised much later.  <b>It is not clear how best to target intervention.</b> The costs associated with these health conditions are spread widely and require large-scale efforts to change behaviour. This is likely to involve public campaigning, which may be better undertaken by government.
<b>Role for private funders</b>	<b>The role of charities is limited.</b> There are a few large organisations involved in research, lobbying and providing information to sufferers. There are a small number of social enterprises, running healthy living programmes in local communities. However, <b>the opportunity for private funders is not clear.</b> A major campaign is likely to require a highly ambitious funder with significant resources, an appetite for risk, and a long term view of returns. Many feel that this is government's responsibility.
<b>Rationale for prioritisation or not</b>	<b>Not prioritised.</b> Poor health is a diffuse problem spread across a very large number of people, with multiple causes often associated with deprivation, cultural attitudes and habits. So <b>targeting an intervention that would result in immediate economic benefit seems problematic.</b> Although grass roots attempts to promote healthy eating and activity are increasing, poor health appears to be a public health issue needing a public strategy to solve.

## Appendix 3: Framework for decision making

	Return	Risk	Opportunity for private funding	
Chaotic families	<b>Family Nurse Partnership</b>	<b>High if targeted, but realised over long term.</b> Evidence of 5:1 return on investment from US trials (over 15 years) for high-risk families, but no UK cost data yet. Returns for low-risk families are much lower. Generally well-targeted and high success rates. Potential to establish model as social enterprise.	<b>Low: proven model.</b> 30 year track record, multiple RCTs, good evidence from UK pilots. Main risks are long timescale for return, and economic benefit likely to be lower in UK than in the US. Structured model reduces delivery risk, however roll-out would need to be managed carefully.	<b>Yes, but requires high engagement.</b> Scope for expansion, and clear demand. However, government is main provider and there has been no private funding so far. There is an opportunity for private funding through social enterprise, but this requires engagement and resources, or willingness to partner.
	<b>Volunteer support services</b>	<b>Unproven but likely to be high.</b> Success rates vary and cost-effectiveness not known. But cost of intervention is low relative to service costs prevented. Funding evaluation could make economic case stronger and create wider impact.	<b>Medium:</b> Evaluations of mixed quality, some using clinical scales, but no control groups and often small samples. Cuts to statutory partners likely to reduce effectiveness. Solid delivery organisations with good reputations.	<b>Yes, clear role and investment-ready opportunity.</b> Private funding currently used to replicate projects in new areas. Additional income could be used to expand further, or to fund evaluation/economic study to prove model.
	<b>Family Intervention Services</b>	<b>Medium and realised in short term.</b> Good evidence of at least 2:1 return on investment, in one year. High unit costs, and success rates vary between deliverers, but potential savings are very high (e.g., £40,000 per family). Potential for wider impact.	<b>Low/medium:</b> Very promising evidence of impact from multiple government studies. Cuts to referral partners and large caseloads likely to reduce effectiveness of key-worker model, though additional funding could mitigate this.	<b>Yes:</b> Charities are involved but private funders would need to structure funding carefully to avoid direct subsidy, or would need to partner with local authorities.
Child conduct problems	<b>Counselling in schools</b>	<b>Medium:</b> High success rates in short term, however, lasting benefit in adulthood is unproven. Even if success rate is low, estimated 3:1 return on investment due to low unit cost and high savings per success in adulthood. Little potential for wider impact, unless longitudinal study funded.	<b>Low: established model.</b> Very good evidence on short term improvements in children's behaviour. Main risk is uncertainty over long term benefit. Established charitable delivery has been replicated effectively. Low external risk.	<b>Yes, clear role and investment-ready opportunity.</b> Private funding used to expand into new areas, then ongoing cost shared 50:50 by schools and private funders. Existing charities that require little additional monitoring. Private funder could also fund long term evaluation.
	<b>Parent-training for conduct problems</b>	<b>Potentially high:</b> Evidence from US suggests that 60–70% of children show improvements in behaviour that are maintained at one year follow-up. Cost-effectiveness is not known, but estimates suggest that the programme needs to reduce offending by 2.5% to cover costs.	<b>Medium:</b> Strong evidence from meta-analysis shows that parent training is very effective. Quality of delivery organisations is highly variable. Government funding likely to reduce so existing provision may be under threat.	<b>Not clear:</b> Government has funded and delivered most services, however, this may change with funding cuts. There is a role for private funders in continuing services or helping to demonstrate evidence of cost-savings.
	<b>Multisystemic Therapy (MST)</b>	<b>High:</b> One study shows that at 18-month follow-up, only 8% of participants had reoffended, compared to 34% in the control group. If this is maintained over long term, cost savings will be substantial because cohort is very high risk. Recoups its £8,000 cost, plus an additional £2,223 per case within three years	<b>Low:</b> Very strong international evidence, and growing evidence from UK pilots. Limited charitable provision, though what exists is strong and rigorously implemented. Ability to scale through charities limited by need for clinical expertise.	<b>Yes.</b> Government is currently rolling out pilots to additional areas. Private funding could support charitable delivery in new areas, but capacity to deliver is unclear. Taking it to scale would require high engagement, including partnering with government.

## Appendix 3: Framework for decision making continued...

	Return	Risk	Opportunity for private funding	
Mental health and employment	<b>Specialist employment support</b>	<b>Medium, realised over several years:</b> Success rates vary (20–40% of beneficiaries into employment). Initial returns low, but increase if employees stay in work long term. Opportunity for wider impact limited unless evaluation proves model. Estimated 2:1 return.	<b>Medium/high.</b> Many established charitable schemes, but of mixed quality and evidence. Further long term assessment is required. Projects threatened by external funding environment, and by challenging jobs market.	<b>Yes, though likely to require engagement.</b> Government funding is withdrawing from these services or in transition. Private funders could provide valuable support in helping to manage this change and develop sustainable models.
	<b>Regional Trainer Programme</b>	<b>Unproven, but potentially high.</b> One approach aims to improve the rate by which clients get into competitive employment by 60%, and claims a £13 return for every £1 invested. This is likely to be over-estimated, but wider opportunity for creating impact is significant.	<b>High:</b> Approach is not tested beyond pilot. There is an established charity prepared to deliver, however, relies on individual expertise. May be affected by wider policy and funding for employment services and wider jobs market.	<b>Yes, investment-ready opportunity.</b> Charity requires private funding to scale pilot and roll-out more widely. In time, there would be a case for government to fund, and provide exit.
	<b>Healthy workplace schemes</b>	<b>Medium/high and realised in short term.</b> Various studies have shown returns created. NPC estimates that £2.50 is saved for every £1 invested. Potential to make model cover costs and create wider impact through selling to businesses.	<b>Medium/high:</b> Little evaluation. Some projects have promising evidence, others none at all. Most deliverers are at early stage and have limited staff capacity. External risk is low as not reliant on government policy. Unclear whether employers willing to engage.	<b>Yes, clear role and investment-ready opportunity.</b> However, may require engagement to scale. Particular opportunity for corporate funders, which may wish to sponsor programme in their own workplace.

## Appendix 4: Challenges and lessons

Economic analysis can be applied to charitable giving, and it can provide valuable insights on different issues and interventions. However, there are a number of challenges and implications with taking such an approach.

- Most of the value that charities create cannot be easily monetised. Economic analysis sidelines areas more commonly associated with charitable giving, e.g., older people and palliative care, where opportunities for saving costs over a lifetime are limited. Groups where it is hard to achieve significant improvements resulting in obvious economic benefits – for example, people with severe mental health problems – may also be sidelined when taking an economic approach. It also prioritises mental health problems over physical illnesses because mental health problems most often begin early in life and cause disability when those affected would normally be at their most productive (unlike many physical illnesses, which typically occur later in life).
- Prioritising economic well-being leads funders towards areas where government is typically very active. The role of private funding therefore needs to be carefully structured so that it complements government activity.
- There are practical limitations to taking an economic approach, particularly around the poor quality and lack of comparability of much of the data. Cost-benefit studies are rarely accurate enough, or consistent enough in methodology to enable useful comparisons between interventions. In practice it is not possible to ‘rank’ interventions by economic return.
- A further practical limitation is the lack of longitudinal evidence for early intervention. Although there is intuitively a strong case that early intervention is cost-effective, and emerging evidence from a range of evaluations, there are very few studies that follow children over many years to discover the impact of interventions in adulthood.

Several lessons emerged from the process, which are worth noting for attempting any future study along similar lines.

**Feasibility of project:** It is possible to compile data to apply an economic approach at a high level. However, such an approach is limited by the quality of the data (see below), and a detailed analysis of costs would take much longer. Stage 1 research was necessarily brief to meet the timetable, but gave a fair overview of the issues. Later research on the prioritised issues was more detailed and robust.

**Quality of data:** At every stage we were frustrated by the poor quality of basic data and lack of comparability of data sets for different issues and interventions – not only was data quality variable, but methodologies in determining scale and costs also varied widely. To find data and unpick the calculations to create a truly scientific and consistent application of the economic approach would require much greater time and resources.

**Expert panel:** Experts responded well to individual contacts to discuss issues and interventions in detail, and were extremely helpful in their specialist areas. However, of the 100 or so experts surveyed at the start of the project, only 14 responded. By contrast, when approached individually, their help and support was invaluable.

**Steering group:** Having a generalist steering group to test theories, and consult on general research matters was very valuable. Managing such a group requires time, including plenty of lead time for regular meetings.

## Appendix 5: Acknowledgements

We are very grateful to the following individuals and their organisations for their input into this report. We are particularly indebted to the members of the Steering Group who provided us with valuable input throughout the research process.

Please note that the experts consulted have not reviewed this report and the contents therefore may not reflect their views.

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# References and calculations

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- 3 Published estimates on the cost of different types of problems associated with poor child outcomes indicate that a family suffering from five problems (depression, alcohol misuse, domestic violence, short periods of homelessness, and being involved in criminality) can cost between £35,000 and £80,000 per year. These figures are based solely on national average unit costs of dealing with these problems through public services, and do not take into account the severity of problems, or wider costs to the economy and society. Taking these into account, families with the five problems mentioned above are estimated to create costs of up to between £55,000 to £115,000 per year for society and the economy. (Department for Education and Skills (2007) *Aiming High for Children: Supporting Families*, <http://education.gov.uk/publications/eOrderingDownload/PU188.pdf>). We take the median figure from the upper range of costs (£85,000) in order to include economic factors and multiply this by an estimated number of families experiencing these problems (140,000) to arrive at £11.9bn, which we round up to £12bn throughout.
- 4 Centre for Mental Health (2009) *The chance of a lifetime: Preventing early conduct problems and reducing crime*.
- 5 We arrive at the figure of £51bn by taking 80% of the total cost of crime. We use £64bn for the total cost of crime, derived from National Audit Office (2011) *The youth justice system in England and Wales: Reducing offending by young people*. This updates the widely accepted Home Office (2000) cost of crime (£60bn) upwards for inflation, and down for reduction in crime levels to arrive at a range of £50bn–£64bn. Throughout the report we use the figure of £64bn for the total cost of crime. We take the upper limit of the National Audit Office's range because many other studies place updated crime over £70bn.
- 6 6% of all children and adolescents in the UK have conduct disorder (Green H. et al (2004) *Mental health of children and young people in Great Britain, 2004*. Office of National Statistics) and 18% of adolescents have milder conduct problems (Colman, I., Murray, J., Abbott, R., Maughan, B., Kuh, D., Croudace, T. and Jones, P. (2009) *Outcomes of conduct problems in adolescence: 40 year follow-up of national cohort*. British Medical Journal (338, a 2981)). We applied these prevalence rates to the Office of National Statistics mid-2009 population estimates to calculate that 1.3 million young people have serious problems with their behaviour.
- 7 This is based on figures from Centre for Mental Health (2010) *The economic and social costs of mental health problems in 2009/10*. We include the costs to businesses and individuals of lost employment or sick days (£30.3bn). We also include the cost of people being at work but less productive, which is called 'presenteeism' (£15.1bn) from Centre for Mental Health (2007) *Mental health at work: Developing the business case*. Later in the report, we add the health and social care costs to individuals and the state (£21.3bn). This gave us a total cost of mental health £66.7bn. We do not include human costs (£53.6bn) or lost benefits (£13bn).
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- 10 This cost-benefit ratio is based on NPC calculations using figures from the 'The Place2Be (2010) *Cost-effective positive outcomes for children and families: An economic analysis of The Place2Be's integrated school-based services*' report. This report cites 1:6 ratio.
- 11 However, these calculations include human costs which NPC has excluded throughout this report. Therefore our ratio of 1:3 is based on costs used by Place2Be but stripping out figures for human costs.
- 11 The National Institute of Clinical Excellence in England (NICE) calculated that early action to tackle stress and mental health problems in workplaces could reduce productivity losses to employers by 30%. Overall for a 1,000 employee company there would be a net reduction in costs in excess of £264,000, generating savings of £264 per employee. An evaluation of the Unilever programme concluded that the costs (£105 per employee) were more than outweighed by a reduction in absenteeism and improvements in workplace productivity; though the savings for the employer were not published. Comparing Unilever's costs with NICE's benefit calculations produces a cost-benefit of around £1:£2.50 per year.
- 12 NHS: The Health and Social Care Information Centre. Adult psychiatric morbidity in England, 2007. Results of a household survey.
- 13 This is based on figures from Centre for Mental Health (2010) *The economic and social costs of mental health problems in 2009/10*. We include the costs to businesses and individuals of lost employment or sick days (£30.3bn). We also include the cost of people being at work but less productive, which is called 'presenteeism' (£15.1bn) from Centre for Mental Health (2007) *Mental health at work: Developing the business case*. To this we added the health and social care costs to individuals and the state (£21.3bn). This gave us a total cost of mental health and employment of £66.7bn. We do not include human costs (£53.6bn) or lost benefits (£13bn).
- 14 This figure covers overlapping problems of cardiovascular disease (CVD), obesity, and diabetes. The 7.9m is comprised of: 1m with severe obesity, 6.1m with non-obesity related CVD, and 0.8m with non-obesity related diabetes. See: *House of Commons Health Committee: Obesity – Third report of session 2003/04*; Allender S, Rayner M (2006) *The burden of obesity-related ill health*; and The International Diabetes Federation, quoted by Diabetes UK.
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- 18 This calculation brings together estimates on drugs (Prime Minister's Strategy Unit (2003) *SU Drugs Project. Phase 1 Report: Understanding the Issues*) and alcohol (Prime Minister's Strategy Unit, (2004) *Alcohol Harm Reduction Strategy for England*) with our own calculations of how much crack cocaine and heroin users spend every year on drugs alone.
- 19 We were not able to find data for the number of people affected by educational underachievement, and what this costs the economy in a year. We have used figures from National Audit Office (2010) *Against the Odds*, which estimates the lifetime costs of a cohort of NEET young people aged 16–18 as a proxy, and extrapolated this across the working age population – in order to make it comparable with the other costs we list. The National Audit Office report suggests that the number of young people aged 16–18 not in education, employment or training to be around 180,000, based on 2008 data. This represents a two year cohort, so we estimate that in each year group there are around 90,000 young people who are NEET after they leave school. Extrapolating this across the population of working age adults 16–60 would imply that 3,960,000 people (90,000 x 44 year groups

- cohorts) are affected by being NEET, in the years after leaving school, which has an impact on their earning potential until retirement. We round this figure up to 4m. We acknowledge that this calculation contains a number of significant assumptions and is imperfect as a proxy for the impact of educational underachievement.
- 20 National Audit Commission (2010) *Against the odds*. We take the lifetime figure for the 2008 cohort of 16–18 year olds NEETs, which comprises of £13bn in public service costs and £22bn in opportunity costs. Taken together (£35bn) this cost represents a two-year cohort of young people so we assume the cost of a one-year cohort to be £17.5bn, which we have rounded up to £18bn. This assumes that the size of the cohort and the costs remain constant, and that there is no overlap between the public service and opportunity costs. We recognise that there are significant assumptions and limitations with this figure.
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  - 24 Published estimates on the cost of different types of problems associated with poor child outcomes indicate that a family suffering from five problems (depression, alcohol misuse, domestic violence, short periods of homelessness, and being involved in criminality) can cost between £35,000 and £80,000 per year. These figures are based solely on national average unit costs of dealing with these problems through public services, and do not take into account the severity of problems, or wider costs to the economy and society. Taking these into account, families with the five problems mentioned above are estimated to create costs of up to between £55,000 to £115,000 per year for society and the economy. (Department for Education and Skills (2007) *Aiming High for Children: Supporting Families* <http://education.gov.uk/publications/eOrderingDownload/PU188.pdf>). We take the median figure from the upper range of costs (£85,000) in order to include economic factors and multiply this by an estimated number of families experiencing these problems (140,000) to arrive at £11.9bn, which we round up to £12bn throughout.
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  - 28 Feinstein and Sabates (2007) *The Prevalence of multiple deprivation for children in the UK: Analysis of the Millennium Cohort and Longitudinal Survey of Young People in England*. There are around 2.8m families with 1 or more risks; 1.2m with 2 or more; 495,000 with 3 or more; 189,000 with 4 or more; 63,000 with 5 or more; 19,000 with 6 or more; and 5,000 with 7 or more.
  - 29 *Early Intervention: Next Steps* (2011) estimates that there are 30,000 high risk mothers that need support from FNP every year. The government plans to expand FNP to 13,000 mothers by 2015, which represents 43% of estimated need.
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  - 43 Centre for Mental Health (2009) *The chance of a lifetime: Preventing early conduct problems and reducing crime*.
  - 44 We arrive at the figure of £51bn by taking 80% of the total cost of crime. We use £64bn for the total cost of crime, derived from National Audit Office (2010) *The youth justice system in England and Wales: Reducing offending by young people*. This updates the widely accepted Home Office (2000) cost of crime (£60bn) upwards for inflation, and down for reduction in crime levels to arrive at a range of £50bn–£64bn. Throughout the report we use the figure of £64bn for the total cost of crime. We take the upper limit of the National Audit Office's range because it many other studies place updated crime over £70bn.
  - 45 Centre for Mental Health (2009) *The chance of a lifetime: Preventing early conduct problems and reducing crime*.
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  - 58 £12.3bn in lost salaries for individuals: this figure was provided by the Centre for Mental Health. The headline figures for the cost of mental ill health are in the 2010 report (Centre for Mental Health) *The economic and social costs of mental health problems in 2009/10*. For a full description of how this was calculated see the 2004 report (Centre for Mental Health (2004) *The economic and social costs of mental health*). £13bn is the amount of benefit payments and lost tax revenue for the UK: Layard, R. (2005) *Mental health: Britain's biggest social problem*. Strategy Unit Seminar.

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