



Backing the Future:

why investing in children is good for us all

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nef (the new economics foundation) is a registered charity founded in 1986 by the leaders of The Other Economic Summit (TOES), which forced issues such as international debt onto the agenda of the G8 summit meetings. It has taken a lead in helping establish new coalitions and organisations such as the Jubilee 2000 debt campaign; the Ethical Trading Initiative; the UK Social Investment Forum; and new ways to measure social and economic well-being.



Contents

Foreword	2
Preface	3
Executive summary	6
1. Introduction	10
2. Invest to save: the economic case for investing in the future of society through our children	15
3. Sowing the seeds: promoting children's psychological and social well-being through our services	29
4. Public spending for public benefit: the economic and social return from preventative and early intervention services	44
5. Backing the Future: recommendations for a successful transition	55
Technical Appendix	63
Endnotes	69

The analysis and recommendations in this report have been developed by **nef** through engaging with many stakeholders including Action for Children and the project's Expert Learning Panel and Young Person's Reference Group. However, overall responsibility for the contents of the report rests with its authors.

Foreword

The Happiness Counts project – now concluded with this report *Backing the Future* – was conceived by Action for Children over two years ago and emerged from a stark paradox.

There has been longstanding consensus among fellow charities, partners in local authorities and national governments across the UK that prevention is both intuitively and demonstrably better than cure. Yet a significant shift in investment from picking up the pieces to early intervention and prevention has not occurred, halted by barriers including a lack of economic modelling, and an understanding of how to commission and provide services specifically to promote well-being.

Action for Children is determined to remove these barriers, and by doing so to challenge ourselves, national and local governments, and fellow service providers to make the fundamental change that we all know must happen. Why not now?

In fact, it is more urgent now than ever. Since Action for Children originally approached **nef** (the new economics foundation) as the ideal partner in this work, the economic environment has changed dramatically. This has, of course, challenged any case for extra investment. But more fundamentally, it has made the case more urgent as *Backing the Future* explains. First, preventative services are too often the first victims in the search for savings. And second, the most marginalised and deprived children and young people become still more tightly trapped in a recession.

The project was also inspired by a shared sense of shame felt by Action for Children, **nef** and all those we spoke to during the course of the project, that the well-being of many of the UK's children is so poor. The belief that a child is lucky to live in the UK, with its relative wealth and proud history of public services, has been fundamentally challenged in recent years. This report sets out a vision for a return to a sense of pride in our society and in the legacy the current generation of decision-makers will leave behind.



A large, stylized, handwritten signature in dark ink, which appears to read 'Clare Tickell' followed by a long, sweeping diagonal stroke.

Clare Tickell
Chief Executive, Action for Children

Preface

This report presents the findings and recommendations from the Happiness Counts project.

Happiness Counts – so named by the young people involved with the project – is a partnership between Action for Children, one of the UK's leading charities and providers of services to vulnerable children, young people and families and **nef**, one of the UK's leading independent think-and-do tanks.

Building on **nef**'s expertise in well-being, economic analysis and social return on investment, and Action for Children's extensive children's service base and its *Growing Strong* campaign which highlights the huge impact emotional well-being has on young people's futures, the project's aim is to reshape the way in which we invest in the future of our society through our children.

Research methodology

Project research has taken place over a period of 12 months across England, Wales, Scotland and Northern Ireland and has involved a combination of secondary and primary research. For the former, our work was largely desk-based, including:

- A literature review of key policy documents and academic literature to build on the available evidence base, including the Children's Plan, well-being literature, cross-cultural reports, previous Action for Children research and recent publications linked to the Good Childhood Inquiry, UNICEF's work on child well-being and the work of the Early Years Commission.
- Secondary data analysis, including the collation and analysis of OECD data on national investments in children and families, data on outcomes across a range of social issues and European Social Survey data on subjective well-being.

The primary research comprised innovative research and analysis techniques and some more traditional approaches tailored to the specific project requirements. These are outlined in more detail below:

- **Economic modelling**

We carried out economic analysis to identify the economic viability of shifting towards a more preventative approach to delivering children's services in the UK. At the national level, we analysed how much investment we will need up front in good early intervention services targeted to improve outcomes for the most vulnerable and at-risk children. We also projected the level of investment required to phase in high-quality universal service provision to ensure a shift in trajectory to a more preventative system of services over the longer term. We then estimated the cost savings that would accrue from both types of investment and also identified a financial mechanism to fund this transition and then applied this to our projections. These findings mainly feature in Section 2 and a detailed account of the methodology can be found in the Technical Appendix.

- **Service level case studies**

We undertook six case studies of children's services, reflecting a geographical spread across the UK and a broad range of targeted and universal services. Each service was identified either by Action for Children or by **nef** as having a specific participation remit or strategy to involve children and young people. In each case, we interviewed project staff about the way the projects work with children and young people to learn about effective engagement mechanisms and the benefits that they may bring when applied in practice. Within these

interviews we explored the extent to which a co-production approach to service delivery was being actively employed across different service settings. These findings mainly feature in Section 3.

- **Social return on investment (SROI) assessments**

We carried out three SROI assessments on Action for Children services across the UK; a children's centre, a family support project and a family intervention project.

SROI is a rigorous measurement framework designed to help organisations or services to understand and manage the social and economic value they are creating. It is essentially a form of adjusted cost-benefit analysis that puts a value on some less tangible outcomes, such as improved family relationships. It considers the benefits that accrue from services to a range of stakeholders, like children, their families and their wider communities, as well as the state.

SROI methodology involves the creation of an impact map in the first instance to describe how investment in a service affects key stakeholders. It then identifies appropriate outcome indicators and data sources to measure the costs and benefits of the investment. The findings from the SROI analyses are presented in Section 4. A more detailed methodology is also available in additional SROI reports for each of the three services analysed.^{1,2,3}

- **Two citizens' jury events**

We held two citizens' jury events; one in London with a jury of young people and one in Edinburgh with a jury of parents. Both juries were asked to make recommendations following a hearing on the following question:

How can government act to increase the well-being and happiness of children and young people in the UK?

Each jury came together over a three-day period to hear evidence presented by witnesses in six sessions before working in groups to propose their suggestions to governments. Witnesses were selected by project researchers and the Young Person's Reference Group to represent a broad range of expertise with different knowledge, skills and experience of child well-being and its influencing factors. The aim of the events was to bring children and parents alongside policy-makers, practitioners, researchers and service users, although the jurors themselves were also actively encouraged to bring their own life experiences to the table for discussion.

The suggestions made by the young people and parents have informed the recommendations and proposals for reform in Section 5. More information on the citizens' jury process and its findings is available in a separate report.⁴

Young Person's Reference Group

The project has been guided throughout by a Young Person's Reference Group, a group of eight young people aged 16–19 from across the UK either currently or previously in contact with services provided by Action for Children. The Young Person's Reference Group met Project Researchers on four occasions to plan events, feed in personal experiences and discuss findings from the research (see Box 1).

Expert Learning Panel

An Expert Learning Panel, made up of academics, politicians, voluntary organisations, media representatives, think tanks and children's service providers also met on three occasions to discuss emerging project findings and help shape its recommendations.

Project outputs

This overall project report brings together the combined findings from our research and includes our recommendations for change. This report is accompanied by a number of supplements. These either provide greater depth of analysis on a particular issue or offer guidance to practitioners seeking to take forward key recommendations.

Box 1. Working with the Young Person's Reference Group

The Young Person's Reference Group met on four occasions at residential meetings held at Action for Children's offices. Researchers from **nef** worked with the young people on some of the following activities during the project:

- Talking to MPs about the project at a parliamentary reception.
- Making a video about the project.
- Piloting and planning the citizens' jury events.
- Designing banners.
- Blogging and magazine writing.
- Looking back for the future – thinking about times in life when they have been happy, to help with tips for governments.
- Discussions and collages on 'hopes and fears for children's well-being in the future'.

Report supplements are as follows:

- Practical 'how-to' documents:
 - *A guide to co-producing children's services*
 - *A guide to measuring children's well-being*
 - *A guide to commissioning children's services for better outcomes*
- SROI assessment reports for three Action for Children services:
 - *The economic and social return of Action for Children's East Dunbartonshire Family Service*
 - *The economic and social return of Action for Children's Family Intervention Team / 5+ Project, Caerphilly*
 - *The economic and social return of Action for Children's Wheatley Children's Centre, Doncaster*
- Report on the citizens' juries, including information on the process and conclusions:
 - *How can government act to increase the well-being and happiness of children and young people in the UK? A report on two citizens' juries*

The complete set of project outputs, including a downloadable copy of this report, is available at: www.neweconomics.org and www.actionforchildren.org.uk

Executive summary

Well-being is about friends, also being healthy, independent and having a job, feeling safe and secure. We live in a very unequal society where some people have a lot, and too many people have too little. More well-being brings benefits to us as individuals and to society as a whole.

Young Person's Reference Group, 2009

Backing the Future provides the economic and social case for transforming the way we invest in the future of society through our children. The report makes clear the need for a comprehensive investment programme in preventative services for children and young people that would both save spending on dealing with the impact of problems later, and deliver wider benefits to society. To achieve lasting change, *Backing the Future* demonstrates why it is essential to address the impact of the structural factors affecting the circumstances of children's lives, such as poverty and inequality, together with psychological and social dimensions of their well-being. We show how this can be achieved and present an economic model for how the UK Government could fund a transition to a more preventative system, therefore turning aspiration into reality.

Given the current economic climate, you might ask is it wise for more public spending on children, particularly now? Government debt incurred from bailing out the banks coupled with deepening recession is likely to lead to a sharp squeeze on public services. Yet *Backing the Future* shows that the scale of our problems and what it will cost the UK in public spending to remedy them mean we can ill afford not to invest. The recommendations put forward will in fact help plant the seeds of future prosperity and insulate children today from the worst effects of the current recession.

Evidence of the need for decisive action by national governments is compelling. When compared with our European neighbours, the UK comes bottom of the pile on almost every preventable social problem – crime, mental ill health, family breakdown, drug use, or obesity. Our analysis shows that the UK has to spend a third more in addressing the consequences of its social problems than the next most troubled nation. But the costs are not only economic. The prevalence of these social problems has a direct impact on how children experience their lives and on the cohesiveness of our communities. This means that the UK has some of the lowest levels of child well-being when compared with countries of similar economic wealth, and across social and psychological dimensions. Our 16–24-year-olds, for example, record the lowest levels of trust and belonging in Europe.

Yet is it so hard to imagine a different future? A future where all children feel loved, are free from poverty, have supportive relationships with other children and adults, feel happy and safe, and are free to imagine and explore as they journey through their local neighbourhoods. A future where all children feel valued; where they give their ideas, time, passions, and their creativity to everyone they meet and to all that they do. A future where the UK no longer languishes at the bottom of international rankings of child well-being and indices of social dysfunction.

Action for Children, one of the largest providers of services to children, and **nef**, one of the UK's leading independent think-and-do tanks, believe this future is both imaginable *and* within our grasp. But it requires governments across the UK to make it a priority to:

- **Invest in targeted interventions** that work for our most vulnerable children to improve outcomes and short-circuit the intergenerational cycle of deprivation.
- **Invest in high-quality universal childcare services and paid parental leave** to build the foundations for a more equitable and well-functioning society over the medium and longer term.
- **Re-shape the way targeted and universal services work** so that they build on the assets and strengths of children, young people and their families as well as addressing their needs.

Our key findings

Our analysis looks first at the economic case for making this transition. We demonstrate that investing more in children is necessary, economically viable and a better use of public money in the long run.

- **The cost to the UK economy of continuing to address current levels of social problems will amount to almost £4 trillion over a 20 year period.** This includes addressing problems such as crime, mental ill health, family breakdown, drug abuse and obesity.
- **Investing in a dual investment package, including targeted interventions and universal childcare and paid parental leave, could help address as much as £1.5 trillion worth of the cost of these social problems.** This would leave the UK in a similar position to European nations such as Finland, Sweden and Denmark which have the best social outcomes.
- **To make the investment, there is a strong case for raising the funds needed through a series of annual bond issues with 10-year maturities. Even after factoring in the transition costs from the system we have now to a move preventative approach returns to the UK economy would total £486 billion over 20 years.** This is roughly five times the current annual budget of the whole of the NHS. These savings are calculated on the basis of an investment of £620 billion to fund the transition and £394 billion to implement the bond scheme. The bond scheme is suggested as it allows the investment to be front-loaded, while delaying payments until the savings have been realised, making it an affordable way to fund the transition in the current economic climate. However it is only one possible option for raising the necessary investment. If other options are followed the potential savings could be between £486 billion and £880 billion, depending on the cost of implementing the chosen scheme.

Drawing on evidence from case studies of a range of children's services, the second stage of our analysis shows that the benefits of investing in children are not limited to economic returns alone. By ensuring investment is used effectively, we also demonstrate how local services can help promote the psychological and social well-being of children.

- **Six key service pathways to child well-being.** These pathways help create the conditions for improving children's psychological and social well-being, and influencing positive outcomes over the longer term. They were found to have applicability in universal and targeted service settings:
 - *Link up and link in* – where services build relationships based on stability and trust and link children into their wider community and 'core economy'.
 - *Think family* – where services help improve the well-being of those in closest contact with children, as well as children themselves, and provide guidance and support when it is needed most.
 - *Promote the positive* – where the promotion of positive emotions and experiences is pursued to help ensure happy childhoods and drive longer term positive outcomes.
 - *Encourage action* – where children and young people are viewed as providers of services and activities, as well as recipients, and are encouraged to use their strengths in a practical way.

- *Factor in fun* – where services provide opportunities for play, enjoyment and fun to help boost children's happiness and stimulate their creativity and potential for learning.
- *Recognise children's wider world* – where services are aware of the complex interplay between children's external circumstances, such as poverty, with their overall sense of well-being.
- **Co-production offers a mechanism to help promote the service pathways to child well-being.** We found services fostering reciprocal working between child and professional which move 'beyond voice' to incorporate an active and valued role for children in the design and delivery of projects are central to effective services, and also appear to help promote the pathways to child well-being.

The final stage of our analysis shows that by getting the type and timing of investment right, and by addressing the psycho-social dimensions of children's lives, economic *and* social benefits are generated for a range of stakeholders. We completed SROI analyses of three of Action for Children's services taking an early intervention and preventative approach.

Our findings reveal:

- **For every £1 invested annually in Action for Children's targeted services designed to catch problems early and prevent problems from reoccurring, society benefits by between £7.60 and £9.20.** This social value can be generated, for example, through improved family relationships.
- **For every £1 invested in an Action for Children children's centre, a forecast social return to society of £4.60 is expected to be generated.** Benefits are forecast to accrue to a range of stakeholders including children, parents, community, and the state.

Key recommendations: invest in children to bring benefits to all

To establish an environment in which children can live happy and fulfilled lives, and where we create the conditions for a better and fairer society for families and communities in the long run, the UK must invest differently and change the way services work. Our proposals for reform are grouped into three 'reform packages', each a direct response to the evidence on what is needed and designed to tackle the barriers that currently stand in the way. To achieve a successful transition, these packages will need to be implemented alongside each other.

Reform 1: Buy the services that make a difference

Our recommendations under this package are designed to promote investment in high-quality, targeted interventions for our most vulnerable children to short-circuit intergenerational cycles of disadvantage and to intervene early when additional support is required.

They also aim to address key barriers which stand in the way of progress in this area. These include inadequate policy tools – which restrict investment decisions being made beyond their narrow financial return – and poor measurement and evaluation frameworks which make it difficult to identify needs and gaps in services to make our investments count.

We recommend that all levels of government:

- Roll-out targeted interventions that have been evaluated and shown to work to provide a continuum of support to children and young people who need it most.
- Replace conventional cost-benefit analyses with techniques able to show the full public benefit of interventions, like SROI.
- Improve understanding of children and young people's needs as a basis to effective targeting of resources and commissioning, by introducing a 'children and young people's well-being assessment duty'.

- Commission and de-commission children's services on the basis of value rather than cost, using innovative models and measurement techniques to ensure services deliver improvements in outcomes.

Reform 2: Invest in essential universal provisions

Our recommendations under this package are designed to help set all children on a pathway of positive social, psychological and material well-being from a young age, and to provide a basis for more equal outcomes over the longer term.

To facilitate a successful reform, our recommendations are designed to better recognise child and family policy as a public issue, to address the limitations of current measures of societal progress, and to tackle political barriers so that we are able to look beyond short-term policy-making cycles when it comes to making investment decisions.

We recommend that the UK Government, with support from the devolved administrations:

- Provides universal childcare provision for all children aged 0–4 years, so that the same high-quality and affordable childcare is accessible to every parent.
- Extends paid parental leave, including for fathers, to enable parents to spend more time developing intimate relationships with children, which are essential to their happy and healthy development.
- Achieves cross-party commitments to invest in essential universal provisions for children and families in the UK.
- Establishes new measures of societal progress as a mechanism to better value children and young people as 'public goods', through the introduction of National Accounts of Child Well-being.

Reform 3: Improve the way services work

Our recommendations under this package are designed to get the 'how' of service reform right. Although a range of factors will influence children and young people's psychological and social well-being, the way in which services are provided at both a universal and targeted level plays a key role.

Our proposals are particularly designed to identify mechanisms to overcome conventional approaches to service delivery that tend to overlook the importance of relationships for children's well-being and fail to enhance the capacity of children and families to work alongside professionals in seeking solutions to problems.

We recommend that all levels of government:

- Promote the six service pathways to child well-being.
- Fund and evaluate a national pilot on co-production in children's services.
- Invest in workforce development and establish a 'Children's Services in the twenty-first century' learning network.
- Develop clear, evidence-based messages to better support families and communities to promote change for children.

The findings outlined in *Backing the Future* provide a compelling economic and social case for transforming the way in which we invest in the future of society through our children. We show that the way governments configure targeted and universal service provision for children has a direct impact on the way children experience their lives and a bearing on their longer term outcomes. We also show that investing now to promote child well-being is in the public interest, not just because it ensures more effective use of public resources but because it delivers improved social outcomes and ultimately, benefits us all.

1. Introduction

Despite growing public investment in children, young people and families over recent years and a steady increase in national wealth as measured by GDP, the UK is counting the costs of failing its children.

Whilst variations exist across the country, in general the UK has some of the worst social outcomes – such as crime, mental ill health, and drug use – across all of Europe and we are repeatedly placed near the bottom of international rankings of child well-being.^{7,8} Evidence of the need to do more for children and young people in the UK is compelling.

Bringing about the changes we evidently need to make will not be easy. The challenges involved in breaking intergenerational cycles of disadvantage and improving child well-being are complex. They are, however, far from unknown to governments, who over the last 21 years have introduced over 400 different initiatives, strategies, funding streams, legislative acts and structural changes with the intention of improving the lives of children and young people in the UK.⁹ Better outcomes for children have been high on the Government's agenda – and supported by increased spending – for some time now but despite our best endeavours, something has gone fundamentally wrong. Just like Sisyphus in the Greek myth, we seem condemned to repeatedly roll a stone up a hill, only to see it roll straight back down every time. To make matters worse, it seems that the 'hill' is getting higher and the 'stone' is getting heavier every year.

This report does not set out to simply expose what's wrong, however; the problems are now well known. Successive governments have recognised the need to intervene earlier in children's lives to impact positively on their well-being and future life courses. But prevention demands a more pro-active approach to supporting the well-being of children and their families, and a transition away from public services which intervene only after 'risk' factors are displayed and subsequently identified.

Our aim in this report is to take forward the consensus on the need for a more preventative system by identifying how it can be achieved in practice. We look at the economic and social case for making the transition to service provision that prevents social problems from emerging in the first place, rather than fixing them after they have already occurred. We also look at the need for early intervention if and when problems do arise to stop them becoming entrenched. We then explore how governments, commissioners and practitioners can overcome key barriers that currently stand in the way of a comprehensive shift to prevention, which improves well-being and creates a better and more just society. And we identify how to do this in ways that support our economy – by being less wasteful economically and making far better use of our shared but increasingly scarce public resources.

Creating the enabling conditions

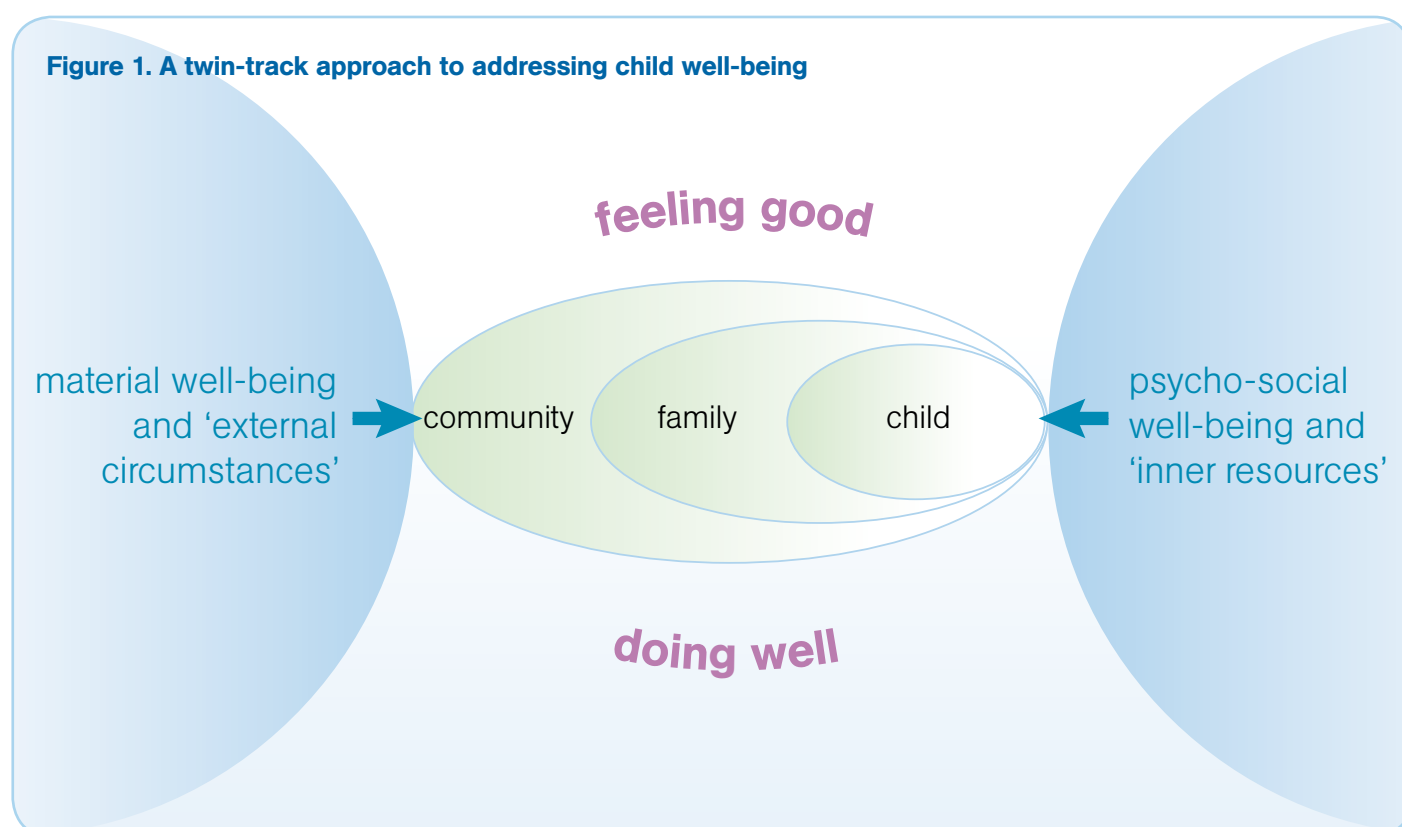
This report focuses on the role of governments, both national and local, in creating the enabling conditions for positive change to take place. Governments cannot make children happy or 'do well' in life but their investments can, and do, have a strong influencing role. Drawing on Action for Children's practical expertise in delivering an extensive range of universal family support services, which include targeted services to meet the needs of children most at risk of poor outcomes, we give particular consideration to the way in which the provision of children's services can be invested in and delivered to support the transition to a brighter future.

We set out to explore four research questions:

- 1 Is more investment, and of what kind, required to shift from a model of crisis intervention to prevention over the next 10–20 years?
- 2 What are the ingredients of child well-being which universal and targeted services should aim to enhance?
- 3 What, in both economic and social terms, are the costs and benefits of more preventative and early intervention services?
- 4 How should policy and service delivery change to achieve better outcomes for more children, young people and their families?

Our approach has been to combine consideration of the structural factors affecting the circumstances of children's lives, together with the psychological and social aspects of their well-being (Figure 1). We believe this combined approach is vital for governments to take due to the dynamic nature of well-being, where positive experiences ('feeling good') and outcomes ('doing well') arise through the interplay between children's external circumstances, their inner resources, and their capabilities and interactions with the world around them.^{10,11}

Thus, in the first instance, we look at the changes governments can make to children's services and family provisions, in order to address existing cycles of disadvantage and to provide a more level playing field for all children from the time they are born. Our proposals aim to shape a more justly distributed socioeconomic landscape which creates the conditions for child well-being from the outset. We then focus our attention on how services can help support the psycho-social dimensions of children's well-being necessary to further facilitate the shift to better outcomes. Details of the research methodologies we have used to identify how this twin-track approach might be taken forward in practice are outlined in the preface and in relevant sections throughout the report.



The existing landscape

We do not, of course, assume governments are starting from scratch.

There has been growing recognition by governments of the need for new thinking and action to break the path dependency of negative outcomes – i.e., the tendency for one problem or risk factor to lead to another – and to give every child the best possible start in life.

Some efforts have focused on the negative impacts associated with low material well-being and deprivation, and with targeting support to those most in need.¹² These developments have been highly influential in propelling child poverty onto the European Union's political agenda¹³ and in securing the UK Government's commitment to eradicate child poverty by 2020.

More recently, issues pertaining to children's social, emotional and psychological well-being have also begun to influence the policy agenda across the UK. Following the 2004 Children Act which stressed the need to provide services to *all* children, we have seen the introduction of new frameworks, strategies and delivery mechanisms under *Every Child Matters* in England, *Rights to Action* in Wales, *Getting it Right for Every Child* in Scotland and *Our Children and Young People – Our Pledge* in Northern Ireland. These have reflected the aspiration to shift towards a 'holistic' or 'child-centred' approach to policy and service design and have coincided with greater emphasis on the need for prevention and early intervention in children's services to avert problems before they take hold and risk becoming intractable.¹⁴ A commitment to trial and roll-out new approaches has similarly been evident at a local level.

But despite policy aspirations and actions, we have not seen substantial returns from these investments and there remains much still to achieve. Currently, 2.9 million children are living in poverty¹⁵ and the growth in income inequalities may have slowed down but it is yet to be reversed.¹⁶ The implications of these trends for children and young people are significant, especially given evidence showing that economic pressures, low income, poor housing conditions and overcrowding have all been shown to be associated with higher levels of family stress, less effective parenting skills and a higher risk of separation and divorce.¹⁷ Along psychological and social dimensions of well-being, European surveys of children have shown the UK's performance on measures of positive emotions, autonomy, social connections, health and vitality to be equally disappointing.¹⁸

These outcomes are costly on a human, social and economic level. By continuing to focus our investments on remedying social problems, we are fuelling a system that is forever over-stretched through trying to solve the problems it played a significant part in creating. It is only by making a holistic transition to a preventative system at the policy and service level that we can hope to see the levels of improvements in outcomes required to reverse current trends.

In this report, we argue that governments need to get better at targeting their investments in ways which deliver better returns to the public purse and bring greater benefits to our children, families and communities. To do this, we also recognise that the existing landscape needs to change so that barriers which currently stand in the way of reform are addressed. These barriers include:

- The lack of an economic model showing how a transition towards a more preventative system can be achieved in practice, with the result that we continue to be locked in a curative rather than preventative service framework.
- Inadequate measurement and policy evaluation tools which restrict investment decisions being considered beyond their financial return to the state and mean public services are led more by cost efficiencies, not by public benefit.
- Short-term policy-making cycles which see decisions regarding the use of public monies considered in terms of short-term spend, not long-term investment.¹⁹

- A narrow definition of societal progress, couched in economic terms, which fails to account for the multidimensional nature of child well-being or the value of 'good childhoods'.
- An uneasy relationship to child and family policy, which doubts whether it is a public or private issue, and therefore the extent to which governments play a role in creating the enabling conditions necessary for higher well-being.
- Conventional approaches to service delivery that overlook the importance of relationships to children's well-being and fail to enhance the capacity and responsibility of children and families to work alongside professionals in seeking solutions to problems.

These barriers are embedded in the way we currently govern, make investment decisions, define progress and measure success. But they are not insurmountable. The ideas and practical steps put forward in this report have been considered with these obstacles in mind, so as to offer proposals for how they might be addressed as part of any transition.

Can we afford to invest; can we afford not to invest?

Alongside these barriers, the current economic context clearly represents an additional challenge.

Government debt incurred from bailing out the banks coupled with a deepening recession will lead to a sharp squeeze on public services. As children's services' directors and practitioners wait tentatively for notification of budget cuts, it is widely anticipated that our more preventative services are at greatest risk.²⁰

Some might question whether now is the right time to be looking to increase and reconfigure public spending on children and young people. Based on the evidence, we think that we can ill afford not to.

Quite simply, we have a choice. We can either make the right decisions for children, the economy and society now, to pro-actively engineer a trajectory towards a better future. Or we can resign ourselves and our children to the current path, destined for worldwide recognition as one of the most unequal and least-child-friendly countries in the developed world, despite being one of the richest. Governments across the UK are in a pivotal position to influence the pathway we choose.

Importantly, many of the recommendations put forward in this report are those which may, in fact, support us in dealing with the consequences of the current economic crisis which forecasts suggest will be felt until 2030.²¹ By getting the policies and services right from the start, public expenditure can in fact achieve a substantial return. This is first in economic terms, where our analysis shows we will see financial returns to the public purse both within and beyond the period in which we are likely to experience limits to public spending. And secondly in social terms, by helping to create 'good lives' that build positive experiences, capabilities and stronger social networks for children and families in the UK, and, in so doing, better equip them with the agency to adapt to the challenges which lie ahead.

Structure of the report

In short, this report provides a strongly evidenced rationale to transform the way UK governments invest in the future of our society through our children.

We begin, in Section 2, with the economic case for prevention. We explore a dual investment package designed to improve outcomes over the medium and longer term. We look at the investment required over the next 10 years to provide effective targeted interventions for those who need them most, with the aim of 'short-circuiting' the intergenerational transmission of disadvantage. We then look at the investment required to phase in additional universal provisions to consolidate these 'gains' and help the UK achieve and maintain positive outcomes for children in line with its higher-performing European neighbours. After calculating the economic savings from doing so, and showing that these far outstrip the costs of financing these interventions, we present proposals for how the additional investment could be funded.

In addition to the appropriate quantity of public investment, evidence suggests that it is how that investment is used which also makes the difference. In Section 3, we therefore look at how investments made at a macro level need to translate to a local service delivery level if they are to achieve effective results. We assess the role that universal and targeted services can play in helping to promote the well-being of children and families, and give particular consideration to how services can help promote psychological and social well-being by presenting six service pathways to child well-being. We then draw on our case study findings to examine the extent to which a co-production approach in children's services provides a useful mechanism to help bring about positive change.

In Section 4, we present evidence to show that if we adopt the approach being put forward – i.e., improving children's external conditions of life by ensuring preventative and early intervention services are available while at the same time enhancing their psychological resources and social functioning by changing the way services are delivered – we will see economic *and* social returns to all principle stakeholders. By calculating SROI assessments of children's services designed to prevent problems from occurring, and which intervene early when they do, we show the value of benefits which accrue to government departments, children, their families and to their wider communities.

Finally, in Section 5 we summarise the evidence on the need for change and present our key proposals for reform.

2. Invest to save: the economic case for investing in the future of society through our children

The principle of prevention, in terms of spending now to avoid the onset of social problems which are often intractable and expensive to remedy, is widely considered to be more economically efficient.^{22,23} It makes intuitive sense.

However, achieving an investment model that can support a preventative system of services has proved more difficult in practice. Better outcomes for children have been high on the UK Government's agenda, and on the agenda of the devolved administrations, for some time now: the UK Government has set ambitious child-poverty targets and overseen unprecedented levels of investment in children and family services. However, this investment has not been matched by the level of improvements in outcomes required to turn around current trends, and we argue that 'returns' on investment have been relatively low. As a result, the UK remains locked in a system of services focused on curing the patient rather than fixing the underlying problem.

In this section, we draw together the available evidence to highlight the steps we believe governments need to take in the UK to realise their ambitions. Our proposals recognise that to be truly preventative investment in children's services must increasingly support interventions early in a child's life which are accessible to all families regardless of their social or economic position. Thus, by removing the structural obstacles which stand in the way of better outcomes, we argue that long-term changes in the well-being of children, families and communities become more possible.

Given the scale of our aspirations, our objectives require significant financial backing. But as our analysis shows, the proposals we put forward represent shrewd investments that make financial sense. The economic case is persuasive; we now need the political will to take forward the measures identified.

The costs of inaction

The economic case for addressing our current poor performance on child well-being is compelling. Based on an analysis of a range of potentially preventable social problems during childhood and early adulthood, the costs of the UK's social problems far outstrip those experienced by our European neighbours. This is largely because the prevalence of negative outcomes in the UK is worse – often far worse – than in other comparable countries.

When comparing the prevalence of negative outcomes listed in Box 2, the UK comes bottom of the pile in nearly every case, and often by a wide margin. When compiled in an index, as in Table 1, we can see that the UK has to spend a third more in addressing the consequences of its social problems than the next most expensive country, Italy. Broadly speaking Finland, Denmark and Sweden do best, followed by northern European countries and then southern European countries. This ranking may seem familiar given that it is aligned with other analyses of relative social progress such as levels of inequality^{24,25} or indices of child well-being.²⁶

Box 2. Calculating the costs of failing our children

In order to establish where the UK stands in terms of the incidence of negative outcomes we began by selecting the following group of 15 countries as a benchmark.

Austria • Belgium • Denmark • France • Finland • Germany • Greece • Ireland • Italy • Luxembourg • The Netherlands • Norway • Portugal • Spain • Sweden

These were chosen because of their broadly similar levels of development, as well as the availability of comparable data. We compared the prevalence of the outcomes below across our sample countries:

- Productivity losses from 16–19-year-olds being **not in education, employment, or training (NEET)**.
- NHS costs from **obesity**.
- Costs of **crime** to the state and wider economy.
- Welfare and health costs of **teenage births**.
- Welfare and health costs of **substance misuse**.
- Costs of **mental health problems** to the state and wider economy.
- Costs of **family breakdown** to the state.
- **Regeneration** costs from attempts to offset spatial inequality.
- NHS costs from dealing with the consequence of **violence experienced by children**.

Comparing how the UK fares across these outcome areas with other countries was challenging, as data do not exist across the sample for all of the issues that were identified as being most important in the UK. For example, data on domestic violence are not gathered systematically across OECD countries, and reporting levels vary hugely across cultures. The range of outcomes therefore should be added to as and when appropriate comparable data become available. That said, we calculated the costs of social problems across nine outcome areas, which should provide a fair indication of the UK's performance in relation to other countries.

We then calculated the annual cost to the UK of dealing with the existence of these (potentially) preventable social problems. We used the UK costs for each outcome area as a basis to calculate the corresponding costs to our European neighbours relative to the prevalence of negative outcomes recorded in each country.

For more information on how the comparative analysis of outcomes and associated costs was carried out, please refer to the Technical Appendix.

The social ramifications of these problems are severe. There is clear evidence of the harmful effects that social problems – such as drug use, crime, inequality, family breakdown, and poor mental health – can have on children's well-being and their future life chances. Furthermore, increasing evidence suggests that negative outcomes in the UK are being transmitted from generation to generation, perpetuating and deepening cycles of inequality and disadvantage.^{27,28,29,30}

In addition, the huge financial costs incurred as a result of these social problems require serious consideration, particularly as we enter a period with increased pressures on public spending. We projected the UK's performance on outcomes over the next 20 years until 2029. Whether calculations are based on trend data, or population projections, it is apparent that the UK is not on course to reach even the average of our sample of countries in any of our outcome areas over this time period (see Technical Appendix). We show the costs of doing nothing to improve social problems in the UK over the next 20 years would be almost £4 trillion.

Table 1. The comparative costs of social problems in 16 countries across Europe (£ billions)*

Index of countries	Costs in £ billions
Finland	44.55
Denmark	84.94
Sweden	88.54
Austria	90.87
The Netherlands	97.24
Spain	98.70
France	108.11
Norway	107.03
Belgium	101.80
Germany	110.41
Ireland	116.07
Luxembourg	118.33
Greece	121.29
Portugal	118.16
Italy	118.87
United Kingdom	161.31

**Costs of social problems have been calculated based on UK cost equivalent*

The huge economic costs associated with continuing on our current trajectory (not even accounting for the additional human and social costs) make it very clear that continuing with ‘business as usual’ is not an attractive or sensible option.

Invest now, save later: the need for targeted *and* universal services

To improve outcomes for children, and bring benefits to all, our analysis shows additional investment is required. We are not simply making the case for more investment though; the type and timing of this investment is crucial in shaping outcomes over the long run. It is necessary to both work towards, and evidence the economic cost savings of, investment in both targeted and universal service provision.

First, in order to break the vicious circle where inequality, disadvantage and negative outcomes are transmitted from one generation to the next, targeted interventions are required for those most vulnerable or likely to suffer negative outcomes (i.e., disadvantaged children, young people and families). Recession or not, intervening to short-circuit the intergenerational cycle of disadvantage to create the space for *all* our children and young people to experience positive childhoods has to be a high priority.

Second, to make these improvements permanent and to consolidate the transition to a better path, we need deeper structural change. In particular, the phasing in of a more holistic approach to children’s services along the lines of the most successful European countries is required, with access to universal high-quality childcare and properly funded parental leave, coupled with support services and delivery models that have been shown to work. We see this element of the transition as crucial to building the foundations of a more equitable and well-functioning society over the medium to longer term.

While this approach would necessarily involve a sharp increase in immediate costs, this is an investment, and one with the potential to create enormous social and economic returns. Looked at from the other perspective, failing to make this investment will lead to costs that are a multiple of the proposed investment. As the targeted interventions reduce negative outcomes the costs of addressing these would fall. If we build upon and lock in these gains through a transition to a universally and holistically preventative system, the social and economic costs associated with negative outcomes would reduce further, ideally stabilising at levels common in European countries that have long since taken this approach.

This combined approach, we argue, is essential if we are both to shift to a different trajectory and, crucially, be in a position to stay there.

The economic case for investing in targeted interventions

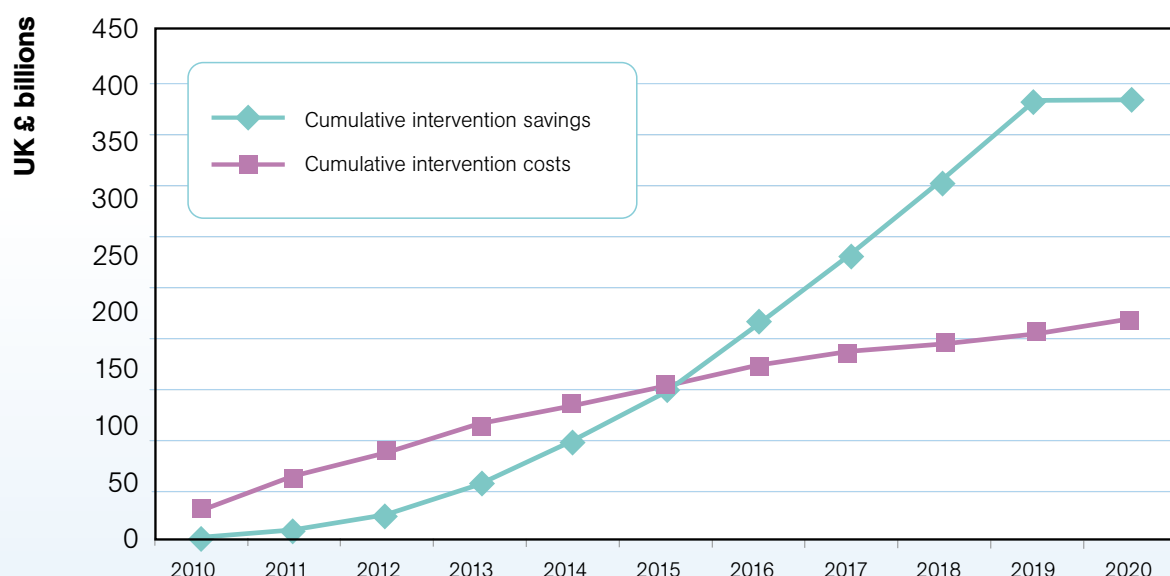
In terms of reducing negative outcomes in key areas, we first wanted to identify the costs and potential savings of investing in targeted interventions for those currently experiencing negative outcomes. To identify the kinds of targeted programmes which could help address this we looked to the United States, which has more in common with the UK in terms of the scale of social problems, as well as the underlying structure of its economy, than European countries (see Box 3).

Figure 2 shows the relationship between the costs and savings of our illustrative interventions when applied to the UK context. The year-on-year costs fall with time in proportion to the interventions' success in reducing poor outcomes for target groups. This is shown by the curve representing the cumulative intervention costs beginning to flatten out. By contrast, the savings resulting from these interventions rise progressively, in proportion to their effectiveness.

Over the 2010–2020 period, the total cost of these interventions would be £191 billion while the total saving would be £460 billion. On a net basis, the 'return' on this investment is £269 billion over 10 years (see Figure 2).

It is essential, however, that this transitional investment in targeted services provision is seen as just that – a transition – to a less fractious society that can create the enabling conditions for higher well-being. In order to realise the savings potential from this package, it would need to be underpinned by strong and effective universal services in the early years, which, as we shall see, appear central to the success of our European neighbours as set out earlier.

Figure 2. Targeted interventions: costs and estimated savings (£ billions)



Box 3. How we calculated the financial return from targeted interventions

Steve Aos and colleagues at the Washington State Institute for Public Policy have done a thorough review of hundreds of targeted interventions predominantly from the USA but also from other English-speaking countries. They filtered evaluations of these studies on the basis of their robustness and again on their proven effectiveness in reducing negative outcomes. This resulted in a set of potentially effective interventions with a strong evidence base, which have been shown to work in an environment not unlike that currently facing the UK.³¹

In order to model our projections, we took a range of social problems that are widely believed to be preventable. Just focusing on the UK allowed us to include those issues which we saw as most pertinent and costly, and have therefore modified our list as follows:

- NEET
- Obesity
- Crime
- Teenage births
- Substance misuse
- Mental health problems
- Domestic violence
- Child abuse and neglect

Table 2 sets out the list of outcomes that we looked at as well as the types of interventions that we included in our analysis. For each of the outcome categories we identify in the table illustrative interventions shown by this study to be effective in improving outcomes.

Table 2. List of interventions and cost and effectiveness³²

Interventions	Unit cost (£)	Effect size	Sample size	Duration (months)
Obesity				
Coordinated approach to child health	63.09	0.10	3,900,000	36
Teenage births/NEETs				
Mentoring: Big Brothers/Big Sisters	2,430.06	0.08	3,311,425	18
Teen Outreach Program	375.72	0.14	13,575,100	48
Crime				
Multisystemic therapy (high-risk)	4,264.00	0.11	18,037	6
Restorative Justice (low-level offences)	880.00	0.09	77,455	18
Adolescent Diversion Project	9,665.00	0.20	65,662	5
Substance misuse				
Life skills training	452.08	0.09	5,829,800	36
Wrap-around family services (mental health and relationships)				
Cognitive-behavioural therapy for teenagers	2,015.00	0.18	784,080	12
Triple P parenting program	31.00	0.26	1,950,000	36
Nurse family partnership	5,500.00	0.43	34,000	24
Home visiting programs for at-risk mothers and children	6,647.00	0.13	34,000	12
Early childhood education for low-income 3- and 4-year-olds	4,424.00	0.20	1,219,436.4	18

On selecting these interventions, we estimated the unit costs for running each service in a UK context. We then applied these costs on a rolling basis from 2010–2020. Similarly, we have applied the demonstrated effectiveness (for both magnitude and timing) of these interventions to UK outcomes over this 10-year period for each category of intervention, leading to estimated reductions in incidence of negative outcome and an associated reduction in the costs of dealing with the consequences of these outcomes.

The 2010–2020 period has been used as this allows sufficient time for the interventions to reduce outcomes to levels more common in other European countries, and so lay the foundations for the structural interventions to consolidate the transition to a more just and sustainable set of outcomes for children, and for broader society. In order to ensure we are not over-claiming for effectiveness, we then **halved** the effect sizes found by evaluations of each of the interventions. Our analysis is therefore conservative and the minimum that we would expect to see from such an initiative. It is also important to note that we are not recommending that these exact interventions be rolled out in the UK; instead we are using the best available evidence to demonstrate the kinds of savings that are possible from making substantial investments in targeted interventions. Later, in Section 4, we present the findings from our own evaluations of projects delivered in England, Scotland and Wales to illustrate how a similar evidence-base could be developed in the UK.

The economic case for investing in universal provisions and parental leave

A key proposition of this research is that universal services are an essential foundation if we are to build and maintain a better and more equitable society, rather than one where sections of the population are condemned to perpetual poverty and disadvantage, and where society has to meet the costs of dealing with the outcomes that are the result of this. The second phase of our proposals therefore requires reforms at a more systemic level, modelled on those countries which see the fewest preventable social problems.

When we looked at high-performing countries in our analysis, we found that there is a relationship (albeit weak) between spending and better outcomes; typically the Nordic countries spend more and experience fewer social problems. But spending alone cannot explain the UK's poor performance. Although cuts in spending on families and children to below 2 per cent of GDP in the late 1980s and early 1990s may have contributed to the prevalence of today's social problems, since the turn of the twenty-first century, spending has increased, and in recent years spending in the UK on child-related services has matched that of Scandinavian countries.³³ For example, in 2004 the UK gave about €250 in child benefit packages compared to packages between €200 and €250 in Scandinavian countries³⁴ and UK spending on children and families in 2005 was 3.2 per cent of GDP, which was equivalent to investment levels in Sweden.³⁵

But for all this, the UK has not seen an associated improvement in outcomes for children and their families. Child poverty targets are unlikely to be met, and while there have been some improvements in outcome areas like teenage pregnancy, these are small; recent data suggest they may not even have been sustained.³⁶ Meanwhile other (much larger) costs, such as those from obesity and mental ill health, are on an upward trajectory.

The complexity of the relationship between public expenditure and how children fare across a range of social and economic indicators may rest not so much in what countries spend, but in the way they spend it. While UK spending may have been comparable in recent years to Sweden, the composition of spending has been very different. In particular, the UK devotes a disproportionate amount of its investment to means-tested cash transfers and far less on the universal services. When we compare this composition in spend to our index of social problems (Table 1), cash transfers seem to be far less effective in terms of maximising UK returns on its investment.

For example, when we looked at child poverty rates, we found the cash benefit transfer seems to have a much larger effect on child poverty rates in the Scandinavian countries. For Finland, receiving the benefits reduces a child

Citizens' jury reflection

Both young people and parents felt that preventing problems from happening in the first instance was better for children and their communities. The parents made a point about needing to implement the best ideas to spend money now to save it later. They argued that it made economic sense.

poverty rate from about 32 per cent to 10 per cent. The UK starts much higher, at about 44 per cent, but only goes down to about 22 per cent.³⁷ It might be the case that cash transfers alone are less effective without the cushion of strong universal public services characteristic of countries performing well on our index of social problems. A decade of economic growth in the UK may have increased the wealth of a few but it has failed to remove many children and their families from the breadline. It is plausible that the unequal outcomes from the UK's economic growth has actually undermined the effectiveness of the redistributive investment, especially given the evidence linking inequality with low levels of social mobility³⁸ and child well-being.³⁹

In order to understand the investments that work for other countries, we reviewed the social and family policies that are common and well-funded within our top performing countries (Table 3).

We found, in particular, that they invested more heavily in universal childcare provision and funded parental leave, and that this appears to play a crucial role in supporting better outcomes. The relative success of policies that invest universally in *all* children have been recently supported by academic research. For example, findings from research examining different approaches across Europe suggest that high-quality universal childcare can improve social mobility later in life.⁴⁰ Similarly, well-funded parental leave is also associated with more positive outcomes. An increasing body of evidence from the field of neuroscience has shown that a child's early interactions with family and caregivers in the earliest months of life establishes a pattern of neural correlates and chemical balances critical for almost all aspects of psychological and social development through life.⁴¹ In contrast to our European neighbours, a deficit in these provisions in the current UK context leaves too few parents with access to high-quality childcare and too few parents able to balance time spent with their child with an adequate household income.

Citizens' jury reflection

Parents shared their own experiences of having to make a difficult trade-off between being around to see their child grow up and earning enough money to have an adequate income. They noted that both household income and time with parents directly impacted on the well-being of their children, but in some cases they had to make a choice between one and the other.

Table 3. Spending on childcare and parental leave and parental leave entitlements (UK vs Scandinavia)⁴²

Expenditure on childcare as a % of GDP	
Denmark	0.9
Sweden	0.6
Finland	0.7
UK	0.4
Expenditure on Parental leave as a % of GDP	
Sweden	0.62
Finland	0.81
UK	0.11
Parental leave entitlement by duration (maximum weeks – paid or not)	
Sweden	72
Finland	156
UK	13
Paid parental leave entitlement (weeks – full-time equivalent)	
Sweden	52.8
Finland	35.8
UK	0

Box 4. How we calculated the financial return from universal interventions

To look at the potential savings from investing in universal childcare provision and funded parental leave, we included in our cost estimates both the fixed costs (i.e., the building of facilities and training of staff) and running costs of establishing a system of universal childcare in the UK, which we phase in over three years from 2010. The calculations also take account of increases in demand through population growth.

As with the targeted interventions, this structural shift in family policy is expected to have a positive impact upon outcomes. Unlike targeted interventions, we do not have access to robust evidence on the magnitude of this improvement.

However, if these services are to equalise outcomes and provide the kind of protective early-years support envisaged for children, then we would assume that they would 'lock in' the gains made from the earlier targeted phase. Not only would today's young people be supported onto a better path, the life chances for their children would be significantly improved by breaking the cycle of disadvantage and creating greater opportunities. The assumption is that as demand for the targeted interventions reduces in line with a reduction in the prevalence of social problems outlined earlier, the benefits of early intervention should start to pay off.

We predict, therefore, that 'returns' from universal services will accrue on two fronts: reduced spend on existing measures (e.g., transfers to reduce child poverty) and savings from positive outcomes post-2020. Therefore, we attribute reduced dependence on targeted services to the new universal system of childcare and parental leave from 2020 onwards. The rationale behind this is that without the investment in universal provision, a new cohort of children would begin to become dependent on targeted services by the age of 10, on average. Having grown up with the universal system in place we predict they will have less dependence on targeted services as a result of improved outcomes.

Further information on the methodology can be found the Technical Appendix.

Figure 3 illustrates the estimated costs and savings associated with this investment in a UK context. These costs include set-up costs of £12 billion phased in over the first three years and continued running costs (see the Technical Appendix for further information on how these were calculated). We project that the savings from these interventions will be gained through reductions in child poverty and the reduction in the need for targeted interventions as children get older. For example, well-paid parental leave enables all parents to spend quality time with their babies during the first years of life to form secure attachments, which are known to influence a whole range of positive outcomes.

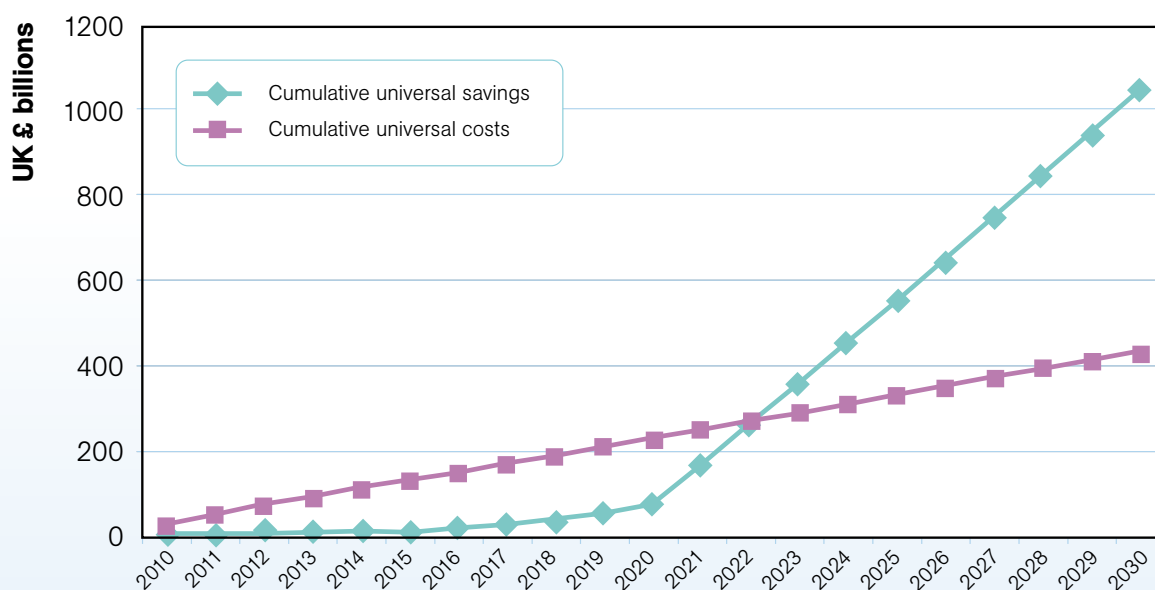
Without investment in the universal services, we are unable to 'lock in' the gains made by investment in targeted services. We will have improved outcomes and life chances for today's most vulnerable and at-risk children but we will not have succeeded in preventing the same problems (i.e., poverty, inequality) from having an adverse affect on their younger siblings or their own children. Without pro-actively addressing the structural framework of service provision to better provide the conditions for higher material, psychological and social well-being from an early age, the improvements in outcomes that we will have created from our investment in targeted interventions over the next 10 years will not be maintained post 2020.

By investing in universal services and provisions over the next 20 years, we can expect to spend £428 billion in total. This includes setting up and providing universal childcare and parental leave over this period. But, the total saving over 20 years is estimated as over £1 trillion. On a net basis, the 'return' on this investment is £612 billion.

What will the total investment package cost?

The proposed investment in targeted and universal service provision, based on targeting immediate needs whilst simultaneously shifting towards a model in line with the best-performing European countries over the longer term, would clearly require a substantial level of investment. Table 4 shows the combined costs of both elements of the transition package, totalling an additional spend of £620 billion over 20 years.

Figure 3. Universal interventions: costs and estimated savings (£ billions)

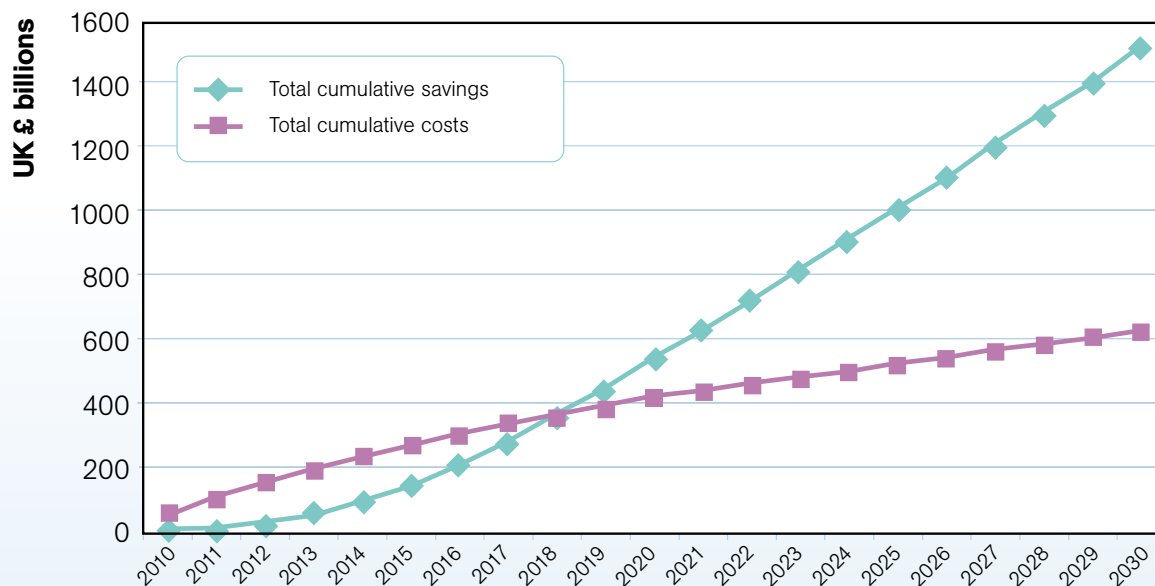


This roughly equates to doubling current GDP expenditure on children and families (from 2005 levels of 3.2 per cent to 7 per cent). However by 2030, we forecast UK spending will have returned close to the current proportion of GDP (3.5 per cent), which is likely to be less on a per capita basis when population increases are taken into account. What will have changed is the composition of spending, with a focus on prevention, in line with the best performing European countries. The result will be an improvement in outcomes for all children, including our most vulnerable, and a reduction in social problems, which will bring benefits to our communities and savings to the UK economy.

Table 4. Cumulative costs and savings UK (£ billions)

	Cumulative 2020	Cumulative 2030
Targeted provision		
Intervention costs	191.40	191.40
Intervention savings		
Direct savings from intervention	436.83	436.83
Indirect savings (reduced poverty rates)	23.24	23.24
Total targeted savings	460.07	460.07
Net targeted intervention position	268.67	268.67
Universal provision		
Universal (fixed + running) costs	223.70	428.30
Intervention savings		
Universal savings from lower expenditure on transfer payments for child poverty	68.31	320.21
Universal post 2020 savings from lower costs through maintaining better outcomes	0.00	719.63
Total universal savings	68.31	1039.84
Net universal position	-155.39	611.54
Total new spending (targeted + universal)	415.10	619.70
Total savings	528.38	1499.91
Net savings	113.28	880.21

Figure 4. Combined interventions: costs and estimated savings (£ billions)



There is a clear economic case for making this investment. Whilst the costs presented in Table 4 are indicative only, the findings suggest that the savings would be far in excess of the expenditure. Even with our conservative estimates, the combined investments in targeted and universal services would together provide net savings of £880 billion.

Every year that this investment is not made, the costs to the UK of preventable social problems will continue to escalate, wasting more and more resources on an annual basis. As we have already mentioned, the costs of maintaining the status quo over the next 20 years will amount to £4 trillion. In considering the transition to a different trajectory, the level of investment required up front should not be seen in isolation from the costs we are already incurring and the savings that such an investment has the potential to make. In this respect, the 'investment case' is overwhelming.

As Figure 4 demonstrates, the cumulative savings will break even with the cumulative costs within nine years of launching such an initiative. Whilst these are ambitious returns, it relates to the ambitious nature of the investment package. Unlike investment to date in early years, which has tended to fall short of being universal and lacked an evidence base, this is comprehensive and aimed at a package of initiatives that have been proven to work. This is a 20-year project, which is investing in the future of the next generation. However, if we can replicate even a proportion of the successes of our targeted interventions then we may even see the financial benefits in the medium term, as savings begin to outstrip costs by 2019.

How do we fund the transition?

With tighter constraints on public spending inevitable over the next few years, yet the need to improve outcomes for children, young people and their families a continued priority, a key question is how do we fund the transition?

The necessary finance could be raised through general taxation. However, given the scale of investment needed up front to reconfigure our services, we propose that the investment needed be frontloaded through a bond issuance. There is a clear rationale for raising the money through bonds when it is used for investments where 'returns' exceed the cost of paying off the loan. Our estimates suggest strongly that this would be the case. That is, the savings from our interventions (in terms of lower negative outcomes and thus lower economic costs) would far outweigh the cost of servicing and repaying the bond over its lifetime.

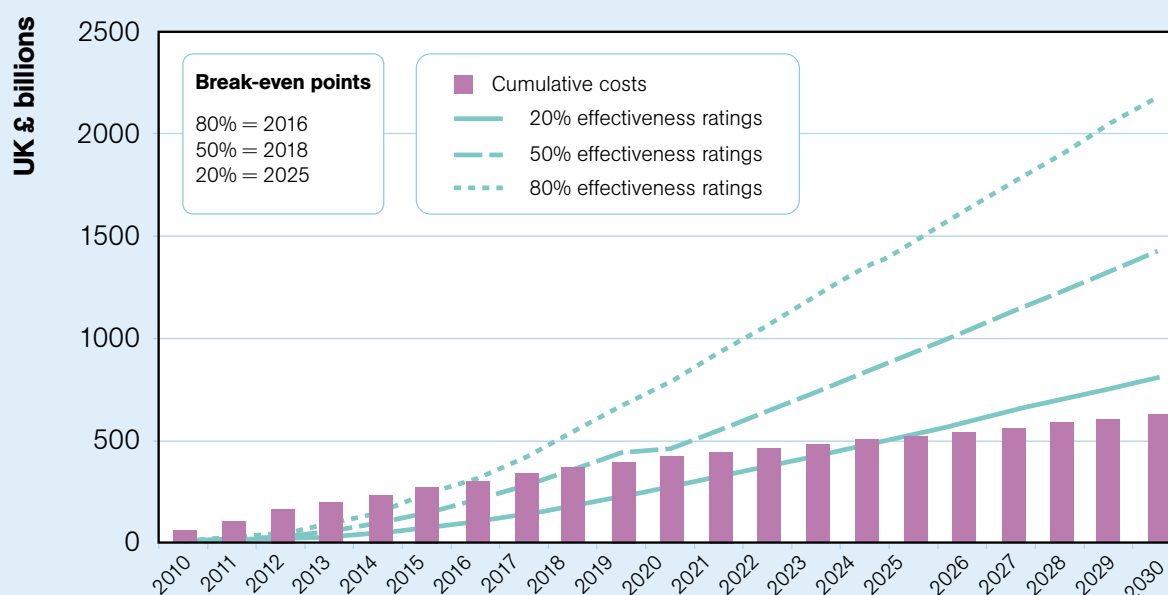
Box 5. How sensitive are our assumptions?

We carried out a sensitivity analysis on these findings to strengthen the case being made. The magnitude of the savings is such that most of the assumptions that underpin our economic analysis were not sensitive to change. However, the two that were identified as most sensitive were the effectiveness of the interventions in the targeted phase and the extent of the savings achieved through reduced child poverty.

In relation to child poverty, we found that even if no impact on savings was achieved, then the point at which our total cumulative savings would begin to outstrip our total cumulative investments would be delayed by three years. The overall net position is still universally positive.

Figure 5 projects the range of financial returns that would be achievable against different levels of intervention effectiveness. It shows that the more effective the intervention, the greater and earlier the financial return on the investment. For our calculations, we remained conservative by halving the level of effectiveness that has been predicted for our package of interventions. Based on our sensitivity analysis, a minimum of 20 per cent intervention effectiveness would have to be achieved in order for this package to be worthwhile purely on financial grounds within our 20-year timescale. In practice, we would clearly wish for a higher level of effectiveness than just 20 per cent and in Section 3 we consider the way services can be designed and delivered to actively promote children's well-being, which will help to consolidate further returns on investment.

Figure 5. Sensitivity analysis of different intervention effectiveness



The impact on the variability of intervention effectiveness on the economic returns of our investments demonstrates the importance of funding projects with an empirical evidence base. Our research has shown that children's services in the UK are currently not collecting the kind of longitudinal data that would be required to ensure value for money in how we spend public money. This practice is in large part encouraged by national measurement frameworks, such as National Indicator Sets, which, on balance, contain more output indicators than outcome indicators. This is why we have looked to academic research as the basis of our calculations and projections. Investment in robust outcomes measurement for targeted interventions carried out in the UK would enable policy-makers and commissioners to back the services that make a difference to children's lives. This would need to be a central part of any transition, and is reflected in our recommendations (Section 5).

We would propose therefore to raise these funds through a series of annual bond issues, with 10-year maturities. The repayments would run for a 20-year period, from 2010 through to 2030 (i.e., a 10-year bond issued in 2019 would mature in 2029), as shown in Table 7 in the Technical Appendix.

Figure 6. Cumulative bond payments and cumulative savings 2010–2030 (£ billions)

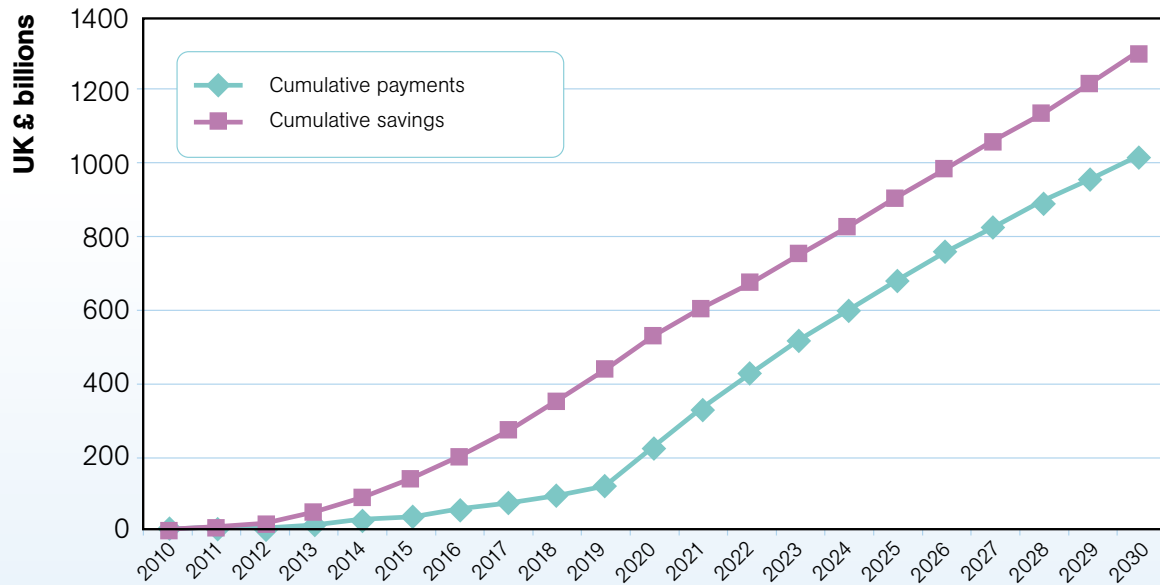


Figure 6 shows the costs which would be incurred by the Treasury if borrowing (and repaying) money to finance our proposed investments through issuing bonds, and the savings that would be generated. Because the bonds take 10 years to mature, very little is repaid on the bonds until 2020, by which point significant savings to the public purse have already been made. At no time, therefore, is the net financing position negative through the life of the bond issuances and their associated repayments.

Over time, the accrued cost savings (through reduced costs from cash transfers to offset child poverty and reduced reliance on targeted interventions) would make the proposed interventions fully self-funding, even when the costs of making the transition from the system we have now to a preventative, and effective, approach are included. Predicted reductions in child poverty expenditure of 3.5 per cent each year will reduce the costs of dealing with child poverty by £20 billion annually, which is more than enough to maintain the additional spend on universal provision that we propose beyond 2030 (see Technical Appendix). Effectively, the composition of our spending on children and families over the next 20 years will have shifted from one focused on remedying social problems to one tasked with preventing them.

Furthermore, the returns to the state and to society generated by our proposed investments would continue to increase long after the bond repayments had ceased, making an even stronger case for investment. As Table 5 shows, by 2030, our investment package will have delivered net savings of £486 billion even after the bond service costs (i.e., the interest repayments) have been paid.

Table 5. Cumulative costs and savings inclusive of bond interest repayments (£ billions)

	Cumulative 2020	Cumulative 2030
Total new spending (targeted + universal)	415.10	619.70
Total additional bond service costs		394.70
Total costs		1014.40
Total savings		1499.91
Net Savings		485.51

Box 6. Bond issuance: a role for local authorities?

In the analysis for funding the transition, we have assumed that bonds are issued at the national level with the proceeds centrally allocated. However, there is no reason why this must be the case. A very interesting and attractive option would be to break this down by local region, with bonds being issued subnationally (perhaps by local authorities were suitable legislation to permit this to be introduced) and invested in tailored and targeted interventions as described earlier. This has the benefit of affording local people, local investment institutions and even locally focused pension funds the opportunity to invest directly in the long-term future of their communities; it could also play an important role in bringing such institutions into being by providing investable opportunities that are directly linked to local social outcomes.

The Young Foundation and Social Finance are currently investigating the potential for Social Impact Bonds to be used at the local level. They are exploring the possibilities for local authorities or Local Strategic Partnerships to borrow on existing markets for a social impact programme (e.g., for teenagers at risk of NEET status). As and when outcomes improve (e.g., education qualifications and employment), local authorities can receive payments from national governments. These payments will reflect improvements made by the programme, mainly through reductions in costs that national governments have to pay (e.g., costs associated with youth unemployment) and any financial returns that they receive (e.g., through increased income tax revenue).⁴³

While some aspects of the proposed interventions would be highly suited to such a differentiated approach (e.g., targeted interventions designed to meet local needs), this is not true in every case. In particular, it would not be appropriate to seek to finance the provision of universal childcare through locally sourced financing. Universal should mean just that, and it would be vital that neither the quantity nor quality of such provision was affected by different local conditions, but that children and families everywhere – regardless of their relative affluence or disadvantage – had access to the same high-quality services.

The ideal approach might therefore be to combine a centrally (government bond) funded and allocated provision of essential universal services, with a locally (local authority bond) funded provision of tailored, targeted interventions, where local people and institutions could have the ability to invest directly in the future of their communities and to address local priorities on an ongoing basis.

Using bonds to finance investment is not a new idea. Previous work on the Social Impact Bond has been carried out to provide a new way of investing money in social outcomes. The idea is that investments can be made by commercial investors, foundations or governments into programmes of work that seek to improve the lives of a group of people (e.g., young people at risk of unemployment or offending).⁴⁴ Not only would this bond provide a safe investment opportunity, it would also provide an opportunity for financial investors and regular citizens (e.g., through pension funds) to invest in the future of their society. This provides people with the opportunity to realise both a financial and a social return on their long-term investments.

Using a longer time horizon than the standard political cycle, and taking a comprehensive view of economic costs and benefits, there is an overwhelming investment case for funding a transition to a society where outcomes among children are more equal. This requires that policy aimed at improving the lives of children prioritises the prevention of social problems from occurring rather than addressing them after they have arisen, and targets funding at those areas where evidence suggests we will get the greatest returns. Looked at purely in financial terms, the long-term benefits would be enormous.

Cutting the costs of what doesn't work

The investment proposals outlined so far focus on the additional investment needed to bring the UK to a more comparable position to its European neighbours in terms of the prevalence of social problems by providing the targeted and universal services necessary to shift us towards a more preventative approach to improving outcomes for children.

This investment would build on existing expenditure for children, young people and families, and on money spent in addressing poor socioeconomic outcomes more generally. Whilst it is likely that much of this expenditure will need to be retained (e.g., universal investment in schools), we believe it is equally likely that existing investment in some areas will be failing to achieve the desired outcomes.

In 2002, the United Nations Committee on the Rights of the Child (UNCRC) recommended that to ensure compliance with Article 4 of the Convention on the Rights of the Child, each of the UK governments needs to demonstrate how money had been spent according to identified priorities. In 2008, the Commissioners of the four nations observed in their joint report to the UNCRC that ‘this recommendation has been inconsistently acted upon and where analysis has been carried out it has not always been at the instigation of the government.’⁴⁵ They concluded that despite substantial investment in children across the four nations, the allocation of resources to children and young people ‘is not dependent on assessed need, is not transparent, is often of a short-term nature, and its impact on outcomes for children is not always evaluated’.⁴⁶ For example, English primary and secondary schools spent over £31 billion in 2007–08, an increase of 56% in real terms since 1997–98 but without corresponding evidence that outcomes have kept pace.⁴⁷ Other research by **nef** has questioned the quality of the data on which we make policy decisions across a range of public services.⁴⁸

Without more effective evaluation of interventions designed to improve outcomes, and long-term tracking of benefits, we run the risk of spending money on services and provisions which simply do not work. Our proposals for additional spend are made on the basis of well-evaluated, evidence-based interventions that have been found to make a difference. But we have had to look beyond the UK to find much of this evidence. We therefore advocate increased and more effective use of evaluations, such as SROI, to generate this evidence for a UK context, and make informed decisions about what works and what doesn’t (see Section 4 for examples of SROI analyses of Action for Children’s services). By identifying where existing interventions are failing to achieve positive benefits for all, including an economic return to the state, we will reach a more informed basis from which to cut the costs of those interventions which do not work alongside investing more in what does.

Summary

The findings presented in this section explicitly challenge the view that ‘fixing’ problems once they have occurred is a viable policy response. This is a radical departure from the ‘sticking plaster’ approach that has been adopted to date and is not one that the UK is used to. It is precisely this ethos that this initiative would be designed to challenge, where everyone really gets the same start in life irrespective of the lottery of their birth.

Based on current projections, the likelihood that existing strategies could address a range of poor outcomes at a fast enough rate to be comparable with other European countries by 2029 is low. The opportunity costs of maintaining the status quo over the next 10–20 years are significant and the imperative to find ways to reduce them are huge.

Our analysis to consider whether more investment is required to shift from a model of crisis intervention to prevention over the next 10–20 years has found the economic case to be compelling. We demonstrate that there is a strong and unambiguous economic case for additional investment from a government perspective on purely economic grounds (i.e., that it would pay for itself in the long run), and that this investment should proceed in two stages: the first to ‘short-circuit’ the intergenerational transmission of disadvantage and negative outcomes through ‘emergency’ targeted interventions, with the second more structural stage being designed to consolidate these ‘gains’ and enable us to create and maintain a more just and better society.

We argue that investment in both our targeted and universal services is needed if we are to have any chance of bringing outcomes for children and young people in the UK more in line with other countries in Europe. We recognise, however, that this is a necessary but not sufficient part of the answer. The success of the highest-performing countries (in terms of those with the least social problems and greatest positive outcomes for children) is related not only to the amount of public investment taking place, but also to how that investment is used. Having explored how the foundations for better outcomes can be laid, we now consider some of the additional factors important for promoting good childhoods and increased life chances for children over the longer term. We argue these are crucial factors to better understand, nurture, and grow if we are to meet the aspiration to be ‘the best place in the world for children and young people to grow up’.⁴⁹

3. Sowing the seeds: promoting children's psychological and social well-being through our services

Our ambition over the long term is to shift towards a more 'upstream' model of prevention that is universally preventative from the first years of life and where children's services are effective at the earliest stages if and when problems do arise.

To support this transition, it is therefore important we take account of the full range of issues affecting children's lives and ensure that our policies and services are designed to nurture these from an early age.

When we look at those countries which tend to score well on indicators of child well-being, and those which have the least social problems, we see that both material and non-material conditions have a role to play. Thus whilst factors such as poverty and inequality correlate closely with outcomes across a range of areas (such as physical health, mental health, crime) so, too, do the psychological and social aspects of people's lives, including for children.^{50,51}

In this section, we consider the findings in relation to our research question on the key ingredients of child well-being, and how they can be better supported in service settings. We pay specific attention to identifying how the psychological and social aspects of children's lives can be enhanced to help consolidate the benefits brought about by the investment packages outlined in Section 2.

Understanding the components of children's psychological and social well-being

As outlined in the introduction, children's well-being can be best thought of as emerging from the interaction between their external circumstances, inner resources and their capabilities and interactions with the world around them. This interplay is a dynamic process that gives children a sense of how their lives are going and, as they get older, their hopes and aspirations for the future. All ingredients have a part

Box 7. Happiness Counts

As part of our research we wanted to know what matters to young people. This poem, written by members of the project's Young Person's Reference Group, reflects some of their views about child well-being and helps to explain why they decided to give the overall project the working title, *Happiness Counts*:

*When searching for a name we soon did find
A million questions entered our minds...
What was important, in this project we're in?
What was our aim? Where to begin!
Ideas were suggested, and one came to light,
As long as we're happy, we'll feel alright.
The importance of this had to be in the name,
And to one of our group an idea came...
Being happy is what it all amounts to,
So Happiness Counts is right for you!!!*

Young Person's Reference Group, 2009

to play in shaping how children sense their lives are going and as a result, all must be nurtured if positive outcomes in childhood and later life are to be achieved.

In recent years, greater scientific understanding of child well-being has pointed towards those aspects which are of particular importance to supporting a 'good childhood' and to underpinning positive outcomes longer term.⁵² Through our work with young people and parents involved with the project (as part of the Young People's Reference Group, citizens' juries and case studies), we have tested the findings from the scientific literature to gain insight from different perspectives. It was important to involve young people to ensure our ingredients of child well-being are not adult-centric but rather grounded in young people's 'lived experience'.⁵³

In Figure 7, we present the results of our research into the ingredients of child well-being, including the findings from our engagement with young people. It illustrates the interactions which exist between different aspects of children's lives, and how they can work together to create positive experiences and outcomes.

The ingredients of child well-being identified are commensurate with the latest thinking on how we understand psychological and social well-being more generally.^{54,55} That said, they are not intended to represent a definitive list about what matters for children; indeed the relevance of some ingredients to a child's well-being may change depending on the historical, social or cultural context of their lives.⁵⁶

We argue that governments need to act to address all components if they are to be successful in achieving positive change for children, families and communities throughout the UK. Our proposals in Section 2, for high-quality, targeted services for children at risk and universal provisions to address the obstacles to achieving better and fairer outcomes from an early age, have a particular role to play in supporting some of the key factors outlined in the 'my circumstances' component of child well-being. But these efforts need to be supported by the right kinds of services, which are delivered in a way that also seek to build positive emotions ('feeling good'), functioning ('doing well') and psychological resilience ('inner resources') to bring further improvement to children and families' lives. This is not least due to the fact that the UK again lags behind its European counterparts in these areas (see Box 8).

The limitations of current practice

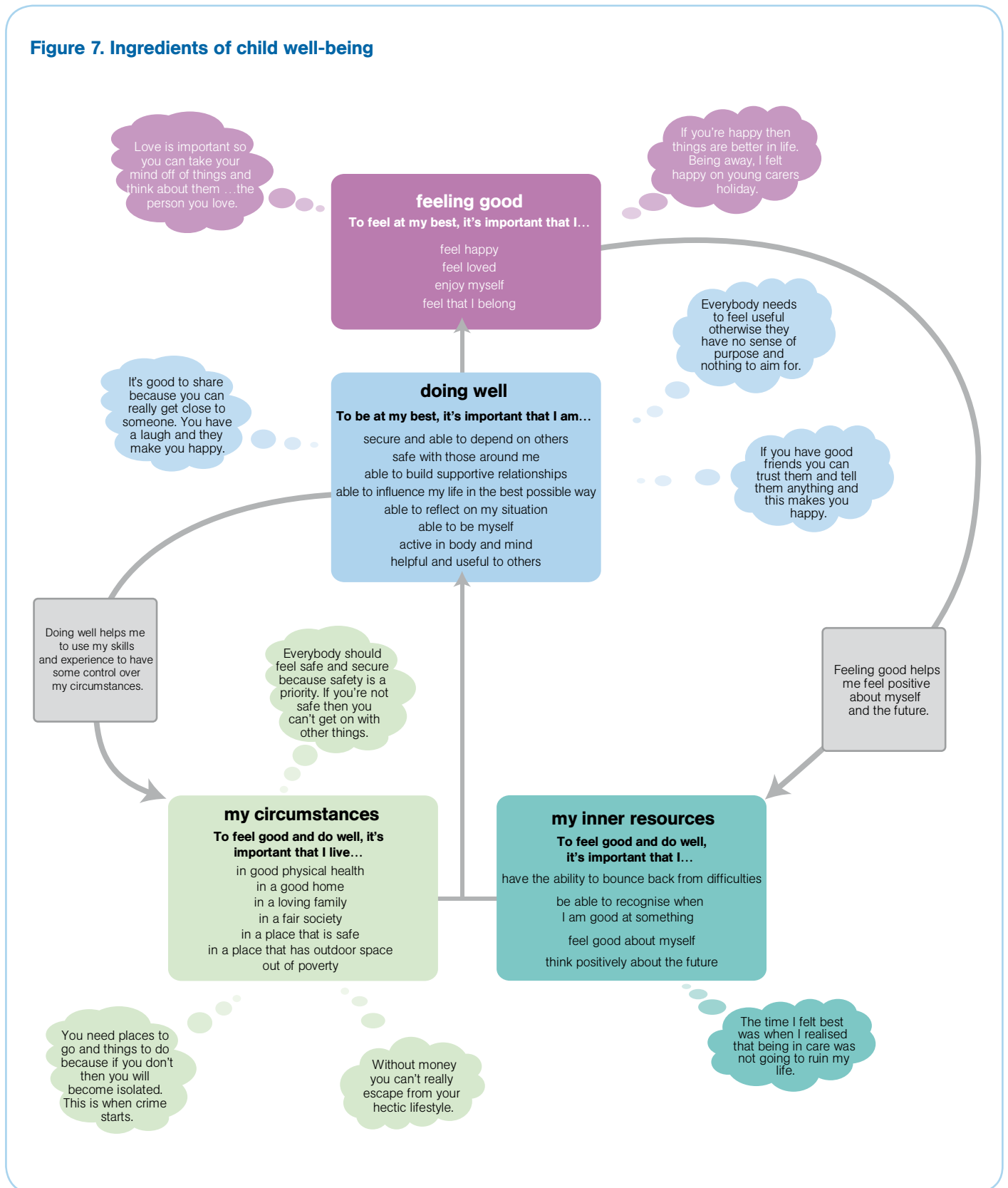
In looking at the European countries that perform better than the UK on social problems and child well-being, it became apparent that the approach other countries take to working with children is different to the way provision is typically provided in the UK. Two overriding and connected features stand out: the explicit focus on positive feelings, social connections and capabilities in supporting overall well-being and the importance of participation.

For example, the pedagogic approach popular across Europe sets out to explicitly work with the whole child: body, mind, feelings, spirit and creativity.⁵⁷ It is an approach which sets out to build in relationships and a child's own unique experiences and knowledge into service delivery, through team-work and a reciprocal working style. It concerns itself with questions similar to those outlined below, to help inform policies and practices looking to stimulate the psychological and social ingredients of child well-being:⁵⁸

- What do we want for our children, including those who are currently at disadvantage?
- What is a good childhood?
- How do we support child well-being, and well-becoming?
- What relationships would we wish to promote between children and children, and children and adults?

There is now comparative evidence that this way of working produces better outcomes for highly disadvantaged children in residential care, even when country differences have been accounted for. Danish and German children are less likely to

Figure 7. Ingredients of child well-being



commit criminal offences, and/or become pregnant as teenagers and are more likely to attend and leave school with qualifications than their counterparts in England.⁶⁰

Another obvious strength of certain approaches in Europe is the focus they give to children and young people's participation in services. In Norway, from day care to school to youth projects, there are examples of a strong commitment to involve children in service development and delivery. Participation is seen by the Norwegian Ministry of Children and Equality as an important tool to promote factors influencing some key ingredients of child well-being,

Box 8. Children in the UK: poor performers on psychological and social well-being

It is not just avoidable social problems that the UK performs badly on when compared to our European neighbours. We also have some of the lowest reports of life satisfaction across Europe, suggesting that the consequences of current failures are not limited to the enormous economic costs. They also have a profound effect on how children experience their lives.

When we compare the countries that performed well on our index as presented in Section 2 – Finland, Sweden and Denmark – with data from UNICEF's report card 7 *An overview of child well-being in rich countries*, we find these countries also perform highly in the overall child well-being index. When we look specifically at the life satisfaction scores reported for Finland, Sweden and Denmark, we find that all three countries do better than the UK, which was ranked 16 out of 20.

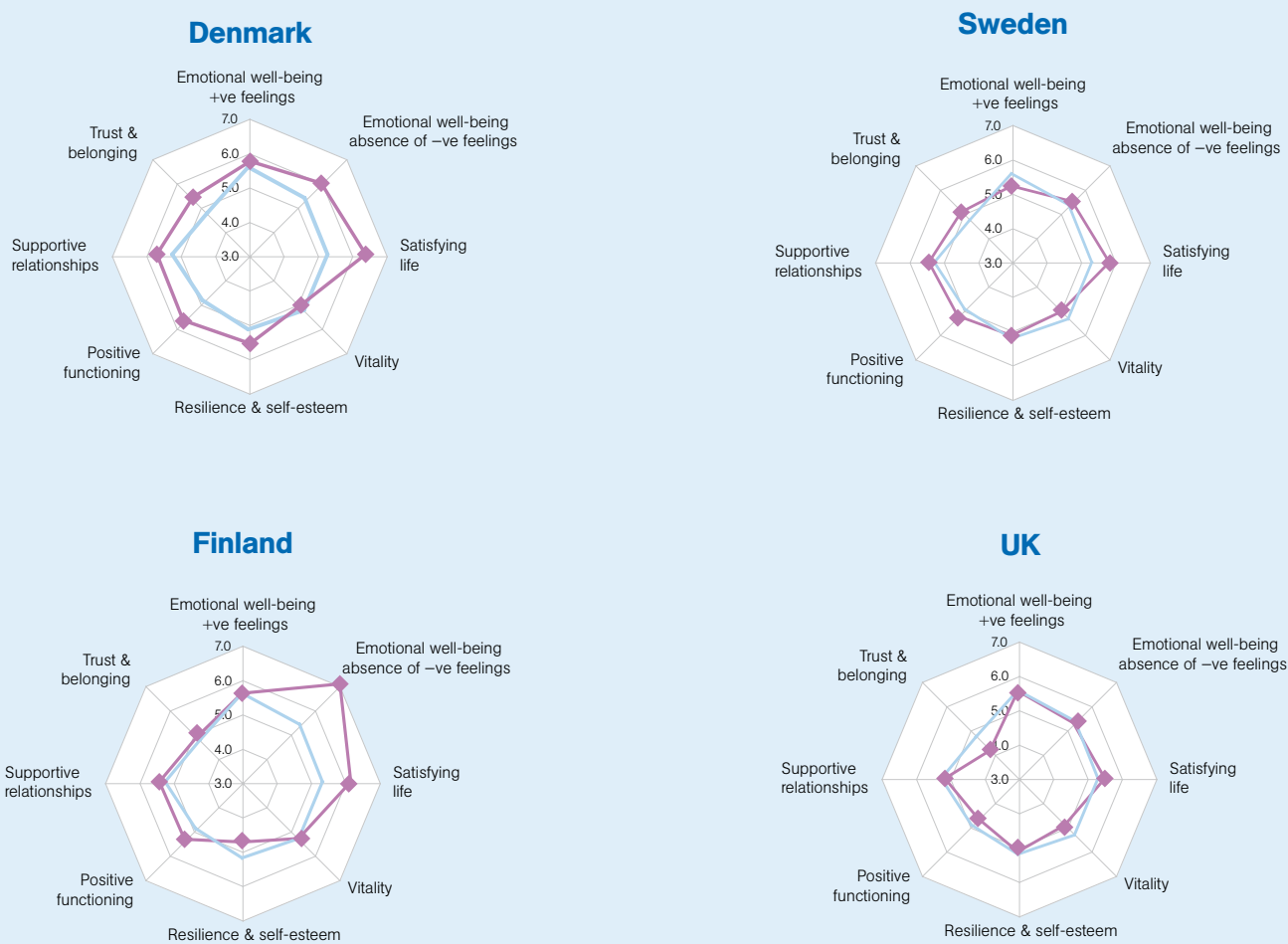
Similar findings are apparent from other data sources, including where we have survey data looking at children's subjective well-being as a multifaceted, dynamic interplay of different factors and not just at life satisfaction.

For example, Figure 8 provides a closer analysis of European Social Survey data used in **nef's** *National Accounts of Well-being* report, which asks a series of questions underpinning the key factors important for feeling good and doing well. We have looked at the following component indicators for psychological and social well-being in detail:⁵⁹

- Emotional well-being (positive feelings) – How often positive emotions are felt
- Emotional well-being (negative feelings) – The frequency with which negative emotions are felt
- Satisfying life – Having positive evaluation of your life overall, representing the results of four questions about satisfaction and life evaluations
- Vitality – Having energy, feeling well-rested and healthy and being physically active
- Resilience and self-esteem – A measure of an individual's psychological ('inner') resources, comprising the subcomponents:
 - *Self-esteem* – Feeling good about yourself
 - *Optimism* – Feeling optimistic about your future
 - *Resilience* – Being able to deal with life's difficulties
- Positive functioning – This can be summed up as 'doing well' and includes four sub-components:
 - *Autonomy* – Feeling free to do what you want and having the time to do it
 - *Competence* – Feeling accomplishment from what you do and being able to make use of your abilities
 - *Engagement* – Feeling absorbed in what you are doing and that you have opportunities to learn
 - *Meaning and purpose* – Feeling that what you do in life is valuable, worthwhile and valued by others
- Supportive relationships – The extent and quality of interactions in close relationships with family, friends and others who provide support
- Trust and belonging – Trusting other people, being treated fairly and respectfully by them, and feeling a sense of belonging with and support from people where you live

The analysis indicates that self-reported psychological and social well-being among 16–24-year-olds is higher in Finland, Sweden and Denmark, which are at or above the European average for this age group (shown by a blue line on the well-being profiles in Figure 8) across virtually all component indicators. By contrast, the UK has the lowest overall levels of psychological and social well-being for this age group in Europe, with levels of trust and belonging suggesting particular cause for concern.

Figure 8. Well-being profiles among 16–24-year-olds



Ensuring greater participation and more influence for children and young people is an important part of the effort to improve their quality of life... It means ensuring that children and young people have good opportunities to participate, state their views and make constructive contributions in all arenas where they spend their time and develop. Giving them influence promotes and encourages the commitment, responsibility and innovative thinking of children and young people. Listening to and acting on their opinions may also help to strengthen their self-confidence.⁶¹

In reviewing the UK context, it is clear that the political (and often, the media) focus on 'fixing' visible social problems – such as antisocial behaviour and crime – has meant that our services have tended to primarily fire-fight and pick up the pieces.⁶² In addition, the targets and indicators set by governments and commissioners all too often mean that work to tackle the precursors of social problems goes unrecognised on performance reports to funders. In the context of public spending cuts, efficiency drives and the need to win the next contract, services sometimes have to cut elements to their provision that make a real difference to the lives of children and families.

It became apparent in our work with Action for Children that voluntary providers have scope to work differently to State providers, to configure their services in ways that provide the support that makes the biggest difference to children's lives. For example, young people and parents talked about seeing a new face every time they go to social services, which is mainly due to high staff turnover. Their experience of Action for Children as a provider of services was quite different, mainly because they had developed long-term relationships with the workers, who operated an 'open-door' policy, which made the services more accessible to users. This flexibility in provision also extended to taking a whole family approach to problems,⁶⁴ such

Box 9. Undervaluing children's psychological and social well-being in funding decisions

Previous research by **nef** to examine how young people benefit from residential childcare suggested that some local authorities are paying lip service to a 'child-centred' approach, while making cuts that demonstrate a lack of understanding of what young people in care really need and value. **nef** found that specialist therapeutic provision and advocacy services are often seen as 'nice to have' and are squeezed financially.⁶³

As part of this project, we found early intervention services that had cut social activities designed to improve social skills, strengthen social networks and reduce social exclusion because of funding problems. We also spoke to a service provider who had been forced to move its service from a house (with a kitchen, lounge, garden etc.) to a space in an office block serviced by a reception desk and security guards, because of funding constraints. One young person – who had experienced long periods without a home – talked about how accessible the service had been, as somewhere to go and 'hang out', 'make yourself a cup of tea' and 'feel safe'. They couldn't envisage doing this in the service's new location.

as antisocial behaviour or truanting, which cuts across departmental silos that were perceived to be more characteristic of state run provision.

Six service pathways to child well-being

As part of our research, we wanted to explore the types of service approaches and pathways which best support the ingredients for psychological and social development identified in a UK context. We therefore undertook nine case studies of children's services, ranging from universal provision through to targeted interventions for children requiring specialist support.

Box 10 provides a brief overview of each service included as a case study. In total, seven were selected from among Action for Children's services and two by other providers – *Learning to Lead* and *Glyncoch Youth Time Banking Project*. Action for Children has strong aspirations for the role of services in improving the psychological and social well-being of children. They have evaluated the effectiveness of some of their services on this basis.⁶⁵ We were particularly interested in selecting case studies within and external to Action for Children provision which gave specific priority to promoting children's psychological and social well-being, either through the activities they ran or by engaging them in their design or delivery, to draw out key lessons on ways of working.

The majority of the case studies were undertaken using in-depth interviews with project workers designed to understand the way the service worked and the benefits the approach brought to children and their families. Three of the case studies involved SROI assessments (detailed information about the process and findings of the SROI case studies is given Section 4). The qualitative element of the SROI case studies involved several visits to projects to interview project workers, social workers, children and their families, as well as an evaluation of case files and follow up telephone interviews with past users of the service to track long-term changes in outcomes.

Based on our research, we identified six service pathways to supporting the psychological and social aspects of children and young people's well-being, pathways we would encourage all children's service providers to follow:

- 1 Link up and link in
- 2 Think family
- 3 Promote the positive
- 4 Encourage action
- 5 Factor in fun
- 6 Recognise children's wider world

Box 10. Children's services case studies

Action for Children's

East Dunbartonshire Family Service

Provides short-term, focused and flexible support for children, young people and families in crisis, referred by Social Services. It works intensively with families for 8 to 12 weeks.

Action for Children's Caring Together, Lincolnshire

A family support service for disabled young people providing a combined family placement and support service, foster placements, and tailored family support services.

Action for Children's Community Living, Leeds

An independent living project for young people who have been involved in the care system. All of the residents at the Community Living project have some form of mild learning difficulties and some have behavioural problems.

Action for Children's Family Intervention Team / 5+ Project, Caerphilly

An early intervention service for children, young people and families with recently emerging emotional or behavioural problems. A 12 week intervention with referrals mainly from health, education and social services.

Action for Children's 'Children Say', Gateshead

A participation project for 4–14-year-olds to develop opportunities for young people to be involved in decision-making and addressing the issues that affect them.

Glyncoch Youth Time Banking Project, Pontypridd

A youth time banking project working on a large housing estate facing socioeconomic challenges such as high unemployment, high levels of child poverty and low educational attainment.

Action for Children's Wheatley Children's Centre, Doncaster

Provides universal child services and targeted services for referred children as well as parenting courses.

Action for Children's Young Reporters, Gloucester

A project where young people were recruited to become young evaluators of projects commissioned by the Children's Fund. It has since evolved its remit to influence wider policy and practice in the area.

Learning to Lead, Somerset

An initiative to promote student involvement in school communities, which seeks to transform pupils' experience of education from something that is 'done to them' towards something 'done with them'.

Some pathways may be more beneficial to pursue in certain contexts than others (depending on the specific needs, age of children and so on) but all should have universal application in some form. The extent to which these pathways are actively promoted by a service could act as a useful marker of quality, to complement future governmental assessments aimed at identifying services that work in a UK context.⁶⁶

Whilst targeted towards service practitioners, many of the pathways are equally relevant to families, parents and carers. In fact, they are likely to yield greatest influence on the well-being of children if families and services work in partnership to help promote and achieve them. Critically, the increased investment in childcare and parental leave advocated as part of our universal provision in Section 2 would create the conditions to equip parents with more time and resources to play an active role in this regard.

Link up and link in

Our analysis found that project workers attributed some of their success in improving outcomes for children to the time they spent getting to know a child and understanding how he or she feels about situations. They used this knowledge to adapt their techniques to fit the individual case and equip the child with the tools to address the problems observed. They also found that this approach gives children the belief that they are being listened to and that their point of view matters. By getting to know the personalities of children and their parents or carers, project workers also became very adept at noticing the smallest indications of a problem (e.g., untidiness at home as a signal for deteriorating mental health) that might otherwise be missed. In some cases the ability to create consistent connections also helped to promote a positive perception of their service which was sometimes necessary as a precursor to engagement.

We found that some projects worked to engage children and young people in social relationships through focusing on supporting young people to support one another. Where services were growing social networks beyond the practice-based setting into the wider community, they fostered greater understanding

Six service pathways to child well-being

Link up and link in

Get to know children and young people. Build relationships with them based on stability, trust and consistency so they can learn about the ingredients of healthy relationships and how their behaviour affects others. Link children and young people up with each other. Link them in to their wider community. Recognise the role of social networks in supporting children's lives and their future potential. By investing in this pathway, you will help foster the development of a support infrastructure which stretches beyond that of the individual service provider.

Think family

Recognise the well-being of children and their families as inextricably linked. Work to support parents, carers, siblings and other family members alongside supporting children and young people. Encourage them to spend time together. Involve fathers and male carers, as well as women. By improving the well-being of those in closest contact with children, and providing guidance and support when it is needed most, the knock-on benefits for children and young people will be significant.

Promote the positive

Identify and nurture children and young people's strengths. Celebrate their contributions and provide positive feedback whenever the opportunity enables. Value them. By recognising and rewarding what children and young people are good at, you will help build their inner resources (resilience, self esteem and confidence) and promote their emotional well-being.

Encourage action

See children and young people as providers of services and activities, as well as recipients. Both listen to children's views and encourage action to instil children and young people with an understanding of their rights and responsibilities. By putting children and young people in the driving seat alongside professionals and adults, you will have a greater chance of building their capacity to 'be the change', now and in the future.

Factor in fun

Provide opportunities for children and young people to enjoy themselves and have fun. Encourage them to play and be active, preferably outdoors. Remind yourself what childhood should be about. By weaving these principles into how you work with children and young people you will both promote children's happiness and support their potential for creativity and learning.

Recognise children's wider world

Appreciate the material conditions affecting children's lives. Take account of a child's experience of fairness, freedom and choice when seeking to bring about change or evaluate success. Help signpost or refer children and their families to additional support whenever it is available. Whilst direct influence over these factors may be difficult to achieve at the project or service level, just being aware of them will shape a more holistic approach to promoting child well-being.

Box 11. Action for Children Wheatley Children's Centre

The ability for service users to stay in contact with projects is particularly a feature of Wheatley Children's Centre, which has been working on and off with some families for eight years. The knowledge that project staff are available if required was referred to as a stabilising influence in otherwise chaotic family lives. Project staff work with parents and children to self-identify the times when they require extra support. The revolving-door policy of the centre enables staff to encourage children and families to take responsibility for their well-being in relatively stable periods, secure in the knowledge that they can get back in contact with the centre if and when they need to.

By getting to know families, the Wheatley's Children's Centre also links targeted, more specialist preventative provision to universal preventative services like crèches. This seems to have been effective in 'de-stigmatising' attendance at the centre and enables initiatives such as parenting programmes or cookery classes to be perceived as acceptable by parents.

among different groups in the community and broke down stereotypes. For example, the involvement of young people from the *Glyncoch Time Banking Project* in community activities like the annual festival improved the image of young people on the housing estate in which they lived. And the 'learn something new nights' provided an opportunity for the older generation to feel valued by the young people as well as to recognise that the young people have skills they need.

Friendships in the community, particularly across generations, are an important area to develop and nurture. The core economy (the human economy) comprises the resources of individuals, families and social networks that sustain society.⁶⁷ These resources are embedded in the everyday lives of every individual – time, wisdom, experience, energy, knowledge, skills – and in the relationships between them – love, empathy, watchfulness, care, reciprocity, teaching and learning. They are resources on which we all depend to thrive and which are likely to ensure that the advantages which flow from any investment in public services is augmented and sustained over the longer term.⁶⁸

Think family

The effectiveness of interventions, as reported by project workers and evidenced in the SROI analyses (Section 4) seem to be dependent on addressing the functioning of the family unit as a whole as well as the individual members within it. By helping individual parents or carers with other problems that may be affecting family relationships, such as low self-confidence or depression, services can indirectly improve the well-being of the child. In the Action for Children SROI case studies we found that alongside working with individual children – to listen to their point of view, work on building confidence and self-esteem – the projects also work with families. Support includes helping parents and carers to improve their parenting, for example, by giving praise to children more regularly, setting clear behaviour boundaries and sticking to them, and having consistent rules that both parents or carers follow in two-parent households.

Project workers identified that this approach was enabled by having the freedom and flexibility to work with members of the family on a regular basis in the most appropriate settings. This helps to ensure that all the family are involved, including siblings and fathers, which practically supports recent initiatives and calls for greater paternal involvement.^{69,70}

Promote the positive

Children need positive feedback, particularly from adults, if they are going to be supported to contribute to society and achieve high personal well-being. As non-tax payers, the UK has systematically undervalued the role of children and young people, much as it has done with the elderly. To exacerbate matters, pervasive negative coverage of children and young people in the media further conveys the sense that children do not have anything positive to contribute; stereotyping which has been noted as 'intolerant' and 'inappropriate' by the UNCRRC.⁷¹

Citizens' jury reflection

The young people mentioned the importance of wider social networks for a sense of belonging and shared understanding. They asserted that being part of a community has benefits, particularly for breaking down stereotypes, 'age, sexuality, race do not matter when the community is under one roof'.

Instead, we need to recognise children and young people for the positive influence they can have. Given the contact children have with local services during their childhood, they are a key avenue to promote this pathway. Part of the challenge for the way we deliver services and parent our children is to also encourage positive emotions, as US psychologist Barbara Frederickson states:

*'Positive emotions are worth cultivating, not just as end states in themselves but also as a means to achieving psychological growth and improved well-being over time.'*⁷²

The evidence from the case studies shows that promoting the positive is a feasible mechanism for generating positive emotions. Opportunities to experience positive emotions were identified by project workers and children as one of the precursors for improving outcomes over the longer term. It supports higher emotional well-being, and helps to build children's strengths and inner resources. For example, Wheatley Children's Centre's *Musical Minis* – a music group for babies and toddlers of ages ranging from six months to pre-school – was identified as an initiative which provides an opportunity for parents to show a child love, affection and praise whilst other services had specific practices in place to recognise and reward children and young people's contributions to project activities.

Encourage action

Alongside an explicit focus on activities to promote positive emotions, project workers we interviewed also sought to amplify their impact through improving the functioning of the child. They did this, not by running skills or capability workshops, but by providing opportunities for children and young people to contribute actively to the design and delivery of a project or service. We found that enabling children to 'be the change' required a way of working that assigned shared responsibility to both professionals and children and applied a strengths-based approach using the skills, knowledge and experiences of children, young people and their families to affect change.

We found examples of services promoting children's active contribution in targeted as well as universal service settings.

We found that the approach encourages professionals to focus more of their energy on the assets that children and young people have than their 'needs' or 'problems' and it pushes the boundaries of current conceptions of consultation and participation. Project workers told us that this way of working is most effective when children and their families get to act in both roles – as providers as well as recipients. It makes sense that being able to deliver services that promote children's psychological and social well-being will to some extent require children's participation in planning and delivering them. But we found that providing children with the responsibility of organising and delivering services can impart a greater sense of self-control and self-understanding, which can help underpin future behaviours and motivations.

Citizens' jury reflection

For both children and parents, there was a feeling that not enough is done to enable people to empower themselves to make a difference to their lives. Major contributions to empowerment were recognised as 'learning by doing' and the strength of people's networks to act as a support mechanism for positive change.

Box 12. Using time credits to recognise and reward children and young people's contributions

The time credits used in the *Glyncoch Youth Time Banking Project* work on the simple principle that for every hour participants give to the youth group and the wider community, they earn one time credit. For example, if a young person gives five hours to help run a youth environmental day he or she would earn five time credits. These credits can then be used to attend a five-hour youth trip (e.g., ice-skating or a trip to the beach).

Because the activities are not given away for free, the young people value the activities more, attendance is higher and behaviour is better. Another significant impact is the clear message time credits send to the young people that, even though they do not have money, they have something of value to offer. They are no longer defined as being *in need* of free trips but are given the opportunity to feel needed by the wider community in which they live.

Factor in fun

The importance of having fun is particularly emphasised in services providing targeted interventions with more vulnerable children. They work to provide safe spaces for enjoyment and fun, otherwise lacking in other areas of children's lives. As one project worker from the Children's Say service said:

'It's all about creating memories, as many memories as possible and positive memories.'

Project workers reported that when young people enjoy being involved in a service, they are more likely to be motivated to attend, and that this spills over into other areas of their lives, including their aspirations. As a project worker from Young Reporters said:

'I don't think a few years ago any of them would be have been talking about university and now half of them are. It's just opened their eyes to what's out there, the huge possibility.'

In younger children, being active and involved in reciprocal exchange with others has been linked to improved cognition and an increased understanding of the social world that children inhabit.⁷⁴ Play offers a safe context for children to explore how they can make things happen and how they can influence and have an impact on others. In unstructured play, children are able to explore different versions of who they are and who they might become through role playing.⁷⁵ Countries with a long tradition of pre-school education – like Finland and Sweden – take a child-centred approach to learning in these early years, which focuses on play, children's interests and being involved in outdoor activities.⁷⁶

Recognise children's wider world

Our case studies indicate that services can be effective in promoting positive psychological and social well-being, as distinct from reducing problems, through the way that they work. This is important because other research suggests that positive feelings can help to bolster psychological resilience to enable children and families to better cope with difficult circumstances and bounce back from adversity.^{77,78,79,80} Despite this, the very negative effects of some aspects of children's 'wider world' on their overall well-being cannot be ignored. This may be in terms of living in material poverty, in poor quality natural environments or experiencing difficult family circumstances.

Interviews with project workers as part of the SROI case studies showed that even when projects were primarily focused on improving the psychological and social well-being of children and their families, they remained acutely aware of the complex interplay between children's external circumstances and their overall sense of well-being. For example, while a family has been referred to the service for help with parental difficulties, they may stem from a mother's experience of domestic violence and low self-esteem. By recognising these

Box 13. Learning to Lead

Learning to Lead's starting point is children and young people's existing interests, skills, experience and motivations. It supports children and young people to take action by forming teams around their own interests. Young people are supported to explore different roles within the team that help to develop existing skills and ideas and build up new life skills. These roles range from project development to agenda planning, goal setting, budgeting, fundraising, and project delivery.

The Blue School, the pilot school, has benefited in a number of ways since the programme began, including new bike sheds, a greenhouse, a polytunnel and healthy schools status. There is an underlying belief that leadership is about the potential in every individual. The programme begins to unlock this potential and enables individuals to work together to achieve a collective goal. It embeds a greater understanding in young people about their rights and their responsibilities. When looking at the things around school that need attention, instead of asking 'why don't they do this?' they ask 'why don't we do this?'⁷³

interrelated aspects, project workers are better able to signpost and refer families and children to additional support, and ensure they work from a more informed basis when providing their particular service.

Moving towards these service pathways: what can we learn from a co-production approach?

These pathways to psychological and social well-being have been designed to signpost services to the kind of mechanisms that can promote these factors. But they raise a question about what facilitating these pathways would look like in practice.

There has been increasing interest in co-production as a mechanism for embedding more participatory approaches into service delivery in recent years. This has been partially in response to recognition from governments that the involvement of children and young people can help deliver more effective services.⁸¹ As part of our qualitative case studies, we wanted to explore the hypothesis that co-production is also an effective technique for putting these pathways into practice to promote psychological and social well-being. In so doing, we used our interviews with practitioners as an opportunity to assess the extent to which co-production is currently used in targeted and universal provision, the benefits the approach brings, and the potential for its development and more widespread use in practice-based settings in the future.

Co-production can be described, in relation to services, as the active relationship between staff and young people as co-workers and, in relation to communities, as engaging the assets that exist around young people to grow informal networks of support. In applying **nef**'s previous thinking⁸² on co-production to a children's service setting, we characterised its core principles as:

- 1 Valuing children and young people as assets
- 2 Celebrating children and young people's contribution
- 3 Reciprocal working
- 4 Growing social networks

From principles to pathways

In a number of cases, we found the principles directly linked to pathways when applied in practice.

● Valuing children and young people as assets

Explicitly incorporating children's assets – their life experience, knowledge, skills, talents, energy and enthusiasm – into the design and delivery of services inherently supported pathways by promoting the positive, encouraging action and factoring in fun. It makes intuitive sense that building time into service delivery to figure out what children are good at and how they are able to influence solutions, fosters opportunities for children to feel engaged and motivated as well as better about themselves. As a project worker from the Children's Say project said:

'Well, I think if you are valued, you can see that someone else values you then you are going to start valuing yourself. This is what we do with these young people. They are not seen as valuable often in their lives and we are showing them that [they are] and how you can value someone else.'

● Celebrating children and young people's contribution

The services we looked at generally worked hard to celebrate children's contribution to projects, although this was often the result of efforts of individual staff members rather than an explicit aim or strategy. Some projects seemed to acknowledge that recognising the contribution of everyone's work equally did not mean everyone had to take part in the same way. Rather different contributions, starting from where children and young people are, were considered to be important for generating a sense of collective value.

Projects used a mixture of ‘intrinsic’ rewards like working towards a personal goal and ‘external’ rewards like treats and shared budgets to go on trips. As a project worker from Young Reporters said:

‘There will always be something at the end and we say, “you’ve all done really well and let’s celebrate”. We always do that.’

- **Reciprocal working – ‘beyond voice’**

We discovered that the principle of reciprocal working was important to move ways of working ‘beyond voice’ to incorporate an active role for children and young people in service design and delivery. Whilst most projects consulted with children, helping to contribute to pathways by linking up and linking in, we found that it was only when a more advanced co-production approach was taken that services would encourage action and become a driving force for better functioning, for doing well.

‘Voice’ equips children with an understanding of their rights but not necessarily of their capabilities and responsibilities. By contrast, furnishing children and young people with a genuine sense that they have something to contribute has the potential to be more effective in promoting key pathways to psycho-social dimensions of well-being – especially by fostering a sense in children that they are useful and helpful to others and able to influence their lives in the best possible way.

The projects already co-producing their services took a noticeably different approach to voice, and are more likely to encourage action. For example, the *Glyncoch Youth Time Banking Project* in South Wales was developed around the philosophy of participatory rather than representative democracy. First and foremost, the project develops an active youth community. As this community grows, children and young people naturally want to have a say in how things are run:

‘It changes the conversation from young people expressing their voices about what needs to change in their communities to the young people recognising that they are an essential part of the solution to the needs. That’s the place to start.’

- **Growing social networks**

Service delivery approaches that actively find opportunities for children to make connections and support one another within the service setting and their wider community tap directly into the pathway Link up and link in. Some projects run informal mentoring schemes within services, although fewer projects actively support young people to get involved in their wider local community, despite the benefits reported by the Community Living project:

‘It makes them feel part of something, they live here and it makes them feel like they are a part of the community. So it’s just not a place where they are put... and have nothing to do with it. It gives them something to identify with, something that they feel they can belong to.’

Taking co-production forward

Our findings support the case for co-production offering an enabling mechanism for the service pathways to child well-being and, potentially, a more sustainable model of service delivery over the longer term.⁸³

By releasing the power and resources of children, families and their social networks, paid staff are able to engage these skills as part of the solution. Through growing social networks (especially intergenerationally) and by supporting children to develop healthy relationships, we expect co-production to strengthen the core economy of friends, family and community, which will enable children and their families to thrive when they no longer qualify for professional support.

We also found a number of benefits from a co-production approach which stretched beyond immediate improvements in service design to promote children’s psychological and social well-being. A summary of the main benefits identified is provided in Figure 9.

Figure 9: The benefits of co-producing children's services

Children <ul style="list-style-type: none">• higher self-esteem• skills development – i.e. team working• stronger social skills• wider social networks• more positive emotions• higher motivation	Community <ul style="list-style-type: none">• young people are more engaged in school and community life• breakdown of stereotypes• stronger mutual support systems• high levels of care for each other and the community
Service <ul style="list-style-type: none">• less stigma – not seen as a 'last resort' option• a more attractive service 'in touch' with users• improved services that benefit from children "seeing through problems"	Staff <ul style="list-style-type: none">• more rewarding work• reports of feeling inspired• increased motivation for a project

This approach does, however, require a transfer of ownership – at least in part – from the professional to the child, which is counter to conventional ways of delivering services, which tend to define the child first and foremost as 'in need' or as a 'passive recipient' of services.

Our research found that where professionals were able to effectively shift their role from 'fixer' to 'facilitator', co-production was most likely to be evidenced (as in the *Learning to Lead* and time banking services). However, taking into account the innovative and forward-thinking nature of the projects we reviewed (they were in part selected because they have a specific remit of participation), our findings lead us to suggest that co-production is likely to be only partially implemented, if at all, in the vast majority of children's services in the UK. A more thorough assessment is recommended, however, including in the context of co-producing services with the most vulnerable children with complex needs.

For co-production to play a useful role in promoting the service pathways, children, young people and families need to be genuinely seen as a source of power and a source of solutions; sources who can work alongside professionals. The shift in policy and service delivery towards consultation and involvement, which we have seen over the last decade, might be a step in the right direction but it is not enough to build capabilities, responsibilities or resilience for the long run.

We have written *A guide to co-producing children's services*, which includes a framework for practitioners to self-assess their own approach to service delivery against co-production principles.⁸⁴ It also shares some of the activities and design features used by the services to instil a co-production approach into their way of working.

While early days, we feel there is significant scope for co-production to be used in universal and targeted service settings to help promote pathways to higher psychological and social well-being and hope our guide is the beginning of a more collaborative approach to realising its potential.

Summary

For many of us, promoting the psychological and social well-being of children and young people is intuitively the right thing to do and something we actively support. Action for Children's research into emotional well-being found parents considered social skills, confidence, the ability to bounce back and school readiness (more in terms of emotional readiness than cognitive readiness) as the bedrock of a child's well-being and development. And they supported the idea of public services that promote children's emotional well-being.⁸⁵ Findings from *A Good Childhood*, a national inquiry into childhood in the UK which specifically sought the views of

children and young people, found social well-being to be particularly important for happy childhoods. From a child's point of view a loving family where they have close relationships particularly with parents and caregivers is key to a good start in life.⁸⁶ Similarly, when children were asked about the elements of a good childhood, 'friends' was one of the words they mentioned most often.⁸⁷ The report argues that it found friendships to be a major source of strength to children, which should be nurtured.⁸⁸

Yet whilst parents and children tend to recognise happy childhoods as having value in and of themselves, it would appear that our politicians (at least in the UK) feel more comfortable when able to talk about 'hard' policy outcomes reflected in objective data rather than the value of children's laughter or the intimacy of family relationships or friendships.

But even if not pursuing children's psychological and social well-being in recognition of their intrinsic value, governments can ill afford to ignore the gains this approach can bring to achieving wider policy objectives. The UK Government's *Foresight review on mental capital and well-being* explored the latest research in this area and concludes:

*'An individual's mental capital and well-being crucially affect their path through life. Moreover, they are vitally important for the healthy functioning of families, communities and society. Together, they fundamentally affect behaviour, social cohesion, social inclusion, and our prosperity...childhood and adolescence are particularly crucial stages when important skills are learned which set the trajectory for mental capital and well-being through later years.'*⁸⁹

Similarly The Early Years Commission concluded from consultation with experts and a review of the literature and best practice:

'We have stuck rigidly to attempts to change behaviour but this is an outcome or product of an individual's state of emotional and social health and well-being. So, for genuine change to happen, it has to occur in these areas.'

Recently, there have been specific appeals to governments – including Action for Children's *Growing Strong* campaign – highlighting the importance of children's emotions and perceptions (psychological dimension of well-being)^{90,91} as well as their relationships (social dimension of well-being)⁹² in determining future policy. Meanwhile our evidence from across Europe shows that those countries with the fewest social problems facing families and communities tend also to be the ones where children's psychological and social well-being is highest. Although service provision and delivery models will not wholly account for such trends, the evidence suggests they at least play a part. As we aim to increase investment in new types of services for children and families in the UK to address socioeconomic disadvantages, we must therefore match this with alternative ways of designing and delivering our services so that they best support the psychological and social dimensions of children's lives.

4. Public spending for public benefit: the economic and social return of preventative and early intervention services

In setting out the need for preventative services to both support children's external conditions and their psycho-social well-being, we have identified the changes needed in the structural configuration of services alongside the way they are delivered.

In this section we look at the economic *and* social value that can be generated from taking this twin-track approach at the service delivery level. We report on findings from SROI assessments of three Action for Children services, which collectively represent the need for a continuum of high-quality services as set out in Section 2 – from the universal to the targeted – to improve outcomes for all our children, including those most vulnerable.

Identifying the services that work: calculating the SROI

Unlike our economic analysis, which was intended to prove the economic case for a system of preventative services, SROI analyses examine the benefits generated to a broader range of stakeholders than just the state. Whilst achieving financial returns over the long-run is a fair objective for governments, particularly in the context of existing constraints on resources, the real priority must surely be to spend public money in a way which improves people's lives.

SROI is a rigorous measurement framework which we used to better understand the social and economic value that three Action for Children services are creating.

Box 14. SROI methodology

It can be a challenge to make sense of SROI ratios without fully understanding the methodology that has been used to generate the ratio. Integral to the SROI process is transparency, so for more detailed information on the process and our calculations we refer the reader to the separate SROI reports.⁹³ The information below offers a brief outline of the methodology.

SROI measures the value of the benefits relative to the costs of achieving those benefits:

$$[\text{SROI}] = \frac{[\text{Net present value of benefits}]}{[\text{Net present value of investment}]}$$

For example, a ratio of 3:1 indicates that an investment of £1 delivers £3 in social value. Social value can be thought of as the benefits to society that are generated by a service. These can include economic savings to the public purse but also some less tangible benefits that are important for how people experience their lives. Putting a financial estimate on outcomes that are good for individuals and communities – such as improved family relationships – is an important element of SROI analysis.

A complete SROI analysis takes place in four stages:

Phase 1: Setting parameters and impact map

Boundaries

- Create the framework for the analysis – what part of the organisation, or individual project is to be measured – and prepare background information.
- Describe how the project or organisation works and decide the time period for measurement.

Stakeholders

- Identify the stakeholders whose costs and benefits – associated with the investment or organisation – are to be measured.
- Prioritise key stakeholders and objectives. Materiality – the accountancy term for ensuring that all the areas of performance needed to judge an organisation's effectiveness are captured – is used in the selection of stakeholders and objectives.
- Identify common or overriding objectives.

Impact map

- Conduct stakeholder engagement to assist in the creation of an impact map that describes how the organisation/investment affects key stakeholders.
- An impact map demonstrates how an organisation's inputs and activities are connected to its outputs and how in turn these may affect stakeholders' outcomes. Impacts can then be derived from the identified outcomes.

Phase 2: Data collection

Indicators

- Identify appropriate indicators to capture outcomes and identify monetised equivalent values for those indicators. Where monetary values for indicators are not obvious, a selection of approaches is used to determine financial proxies for intangible impacts.

Data collection

- Use tried and tested sources to gather the data – required by the impacts laid out in the impact map – for accurate measurement of identified costs and benefits.

Phase 3: Model and calculate

Model and calculate

- Create a cost-benefit model using gathered data and projections.
 - Calculate the present value of benefits and investment, total value added, SROI ratio and payback period.
 - Use sensitivity analysis to identify the relative significance of data.
 - Account for the displacement, attribution and deadweight of the organisation/investment under review.

Phase 4: Report

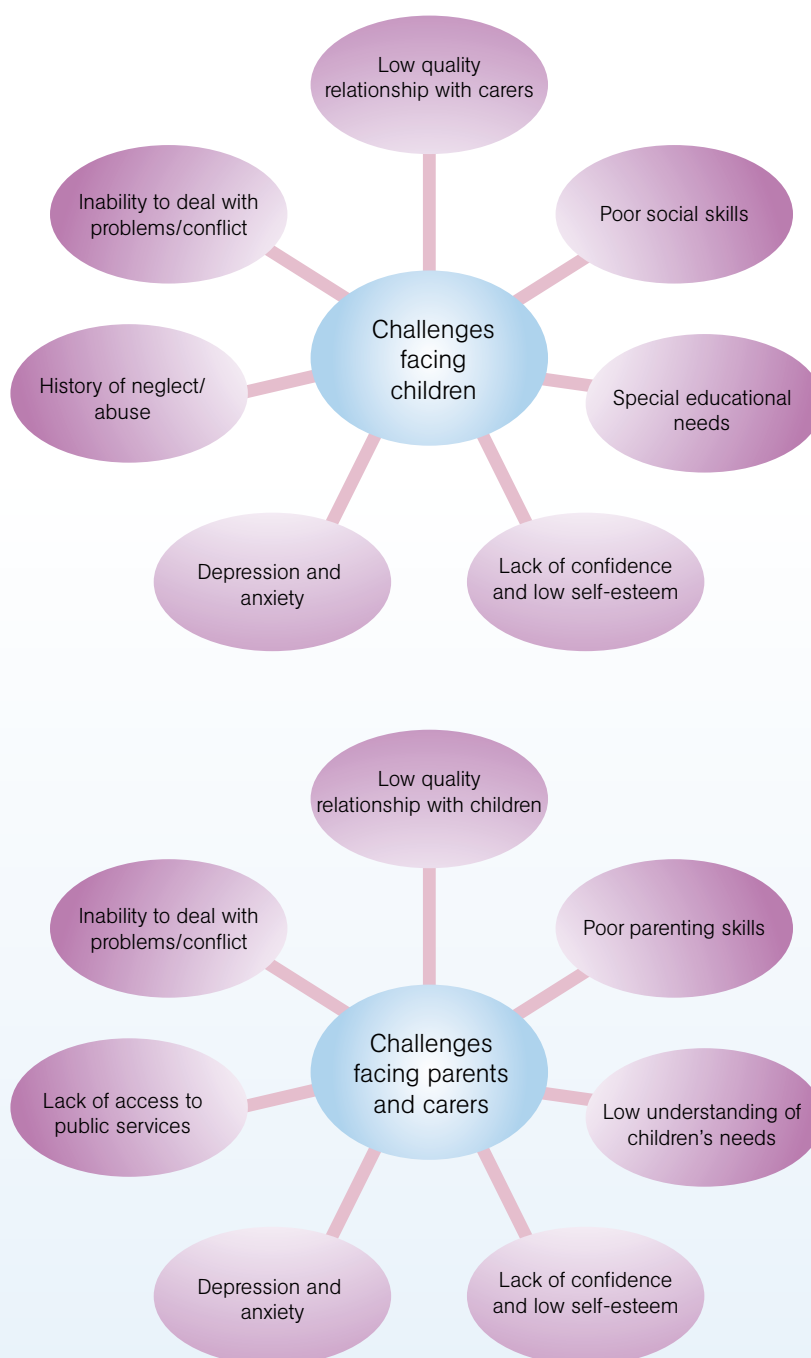
Report

- Consider and present the SROI produced by the organisation/investment.
- Identify how the benefits are divided between stakeholders.
- Identify the key factors that affect the SROI ratio.

SROI case studies

- **Action for Children's East Dunbartonshire Family Service**
Provides short-term, focused and flexible support for children, young people and families in crisis, referred by Social Services. It works intensively with families for 8 to 12 weeks.
- **Action for Children's Family Intervention Team / 5+ Project, Caerphilly**
An early intervention service for children, young people and families with recently emerging emotional or behavioural problems. A 12 week intervention with referrals mainly from health, education and social services.
- **Action for Children's Wheatley Children's Centre, Doncaster**
Provides universal child services and targeted services for referred children as well as parenting courses.

Figure 10. Challenges facing children and parents/carers in Action for Children SROI case studies



The case studies were chosen to reflect the holistic approach which is needed as part of our longer term transition. Each of these services was in place to directly support children and parents to grapple with a set of external circumstances that acted as barriers to child well-being and better outcomes. Even the Wheatley Children's Centre, which ran some universal services for children and their parents, was doing so in a particularly deprived area of Doncaster, where socioeconomic disadvantage was entrenched. To further help prevent these risk factors from manifesting into complex problems, every service worked to build and promote the psycho-social ingredients also essential for child well-being.

The relationship between a child's external circumstances and the psychological and social ingredients for well-being is complex and they are clearly interrelated. Obviously services are limited in the extent to which they can impact on wider socioeconomic problems which are more systemic in nature. For example, many of the problems that children present with are rooted in the family's experience of

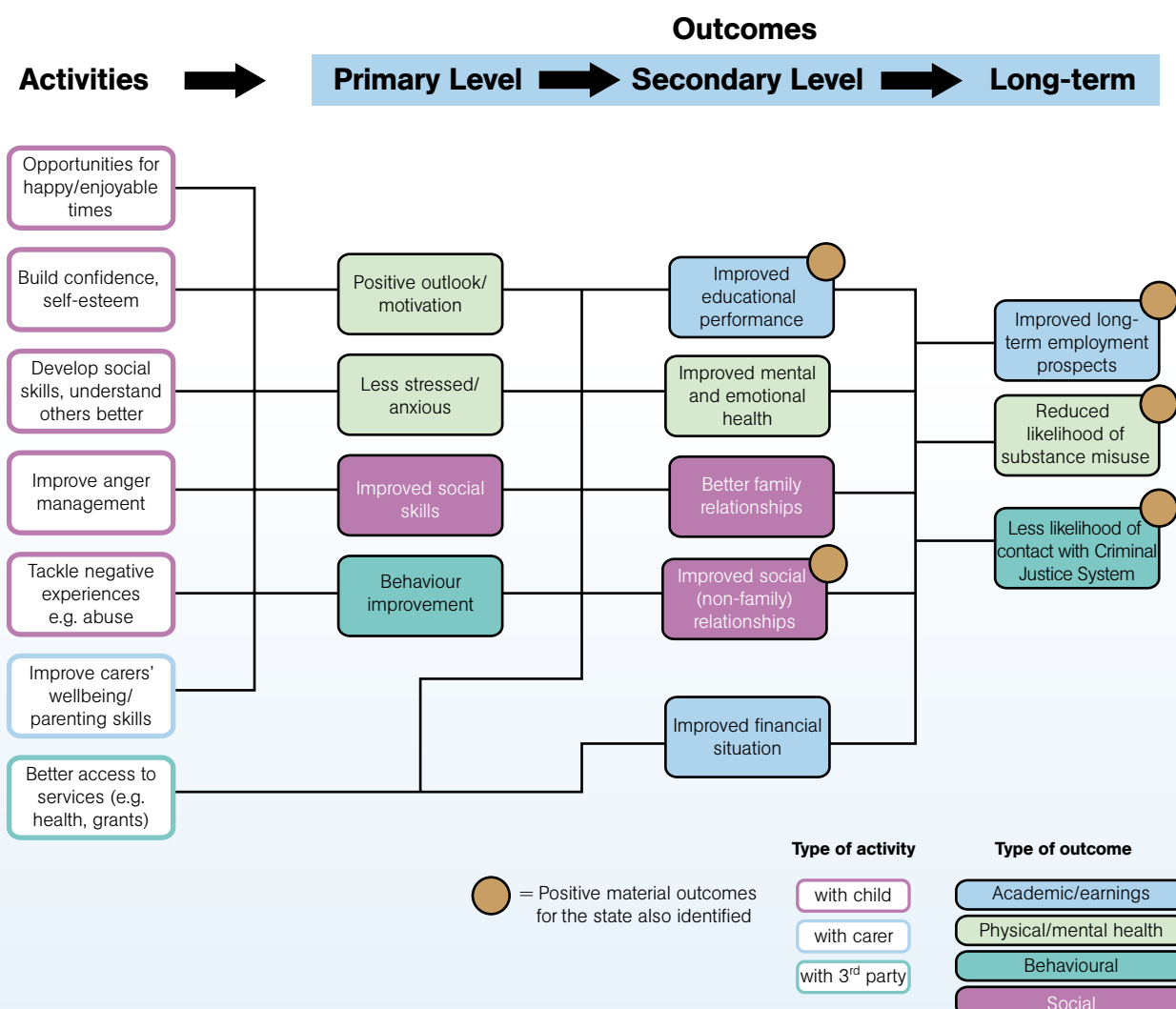
poverty, inequality or other kinds of disadvantage. But where possible, the services we looked at worked on conditions external to the child, such as access to other services and poor parenting, while simultaneously working to build confidence and social support to overcome difficulties in the future (Figure 10).

Figure 11 provides an illustration of an impact map specifically compiled to represent the theory of change in relation to children's outcomes. It illustrates how long-term changes to children's outcomes were realised by a range of activities which, alongside tackling the negative effects of abuse, disadvantage and poor access to services, were designed to provide opportunities for happy and enjoyable times, build confidence and self-esteem, improve anger management, and understand others better. Access to services as well as increases in confidence, self-esteem and social interactions also played a role in the 'distance travelled' towards longer term outcomes in each of the other case studies (see the individual SROI case study reports for more detail).

In the spirit of a preventative approach, rather than just focusing interventions on the 'symptoms' such as poor behaviour or educational performance, the projects demonstrated the impact that can be had if sufficient time is given to exploring and tackling the issues underpinning these problems. For example, bad behaviour might be tackled by a multidimensional approach which:

- Builds up confidence and self-esteem.
- Focuses on coming to terms with negative experiences in the past.
- Promotes emotional well-being.
- Encourages a positive outlook.

Figure 11. Child well-being as a driver of long-term outcomes: Caerphilly Family Intervention/5+ Project



Sometimes services recognised that the well-being of the child is, in part, dependent on the well-being of those closest to them (e.g., primary carers). For example, a child's parent may be referred to a parenting intervention to get help for parenting difficulties that stem from a mother's experience of domestic abuse. In this instance, project staff would help the mother to recognise the link between her parenting difficulties, her psychological well-being and the abuse, while continuing to support the psychological and social well-being of the child. The projects demonstrated an acute awareness of the complex interplay between a child's well-being and the socioeconomic context that forms the backdrop of their lives.

In taking this dual approach to service delivery, these projects had a number of common features, which appeared to enable working in this way:

- Working intensively and flexibly – to have sufficient time to tackle the causes of problems rather than just their symptoms.
- Focusing on the wider family – to seek to address the functioning of the family unit as a whole as well as the individual members in it.
- Positioning themselves positively – to make their services accessible as a precursor to engagement and linking to more targeted, specialist provision.

Assessing the benefits

An SROI analysis culminates in a ratio of value created for every £1 invested. All three of the SROI analyses demonstrated that the projects delivered substantial social value – as defined by non-financial benefits such as improved family relationships – for children, families, communities and for society (the state).

For every £1 invested in Caerphilly Family Intervention Project and East Dunbartonshire Family Service – targeted interventions designed to catch problems early and prevent problems from reoccurring – between £7.60 and £9.20 worth of social value is generated.

Predictions for the Wheatley Children's Centre shows that this service is expected to generate £4.60 for every £1 invested. What's more, the initial investment used to fund these interventions was recouped within two to three years. (Due to data limitations the SROI calculated on Wheatley Children's Centre is predictive, based on intended outcomes. Aside from using different data sources, the process for conducting predictive SROIs follows the same steps as for evaluative SROIs.)

In the Caerphilly Family Intervention Project and East Dunbartonshire Family Service, financial returns to the state were mainly generated through the reduction in costs associated with:

- Increased tax revenue (through children's increased/better paid employment in the future).
- Decreased benefit payments.
- Reduced costs of crime and antisocial behaviour.
- Reduced health costs for children.
- Reduction of other long term child costs (i.e., education, care).

In the case of Caerphilly Family Intervention Project, approximately 69 per cent of the benefits to the state are gained through the reduced costs of crime and antisocial behaviour. Approximately 25 per cent of the benefits are gained by the children's services, and six per cent by the health service. Increased tax revenues and decreased benefits contribute less than 0.2 per cent.

In the case of East Dunbartonshire Family Service, approximately 93 per cent of the benefits to the state come about through reduction in foster care costs. A further four per cent are saved in other children's costs, resulting in 97 per cent of state savings being gained by the Children, Young People and Social Care sub-division of the Education department. A further three per cent of savings are gained by Justice,

with negligible proportions of the savings being gained by the health service or through increased tax revenues and decreased benefits payments.

Even when looking at the returns generated to the state alone, these evaluations illustrate the wide-ranging nature of benefits that accrue from preventative services. By taking a child-centred and holistic approach to service delivery, these projects improve outcomes and, in so doing, bring cost savings to different governmental departments.

Developing a continuum of support

The three Action for Children projects all provide different types of intervention for children at different stages and with different levels of need. At one end of the spectrum, Wheatley Children's Centre provides a range of universal services, combined with specialist services for those identified with high needs. The Caerphilly FIT / 5+ Project is an early intervention service providing support for children and young people with emotional, behavioural or mental health issues. It is designed to catch problems early so most referrals come from schools and GPs, rather than social services. At the other end of the spectrum, East Dunbartonshire Family Service provides support for families whose problems are so serious that the children are at risk of being taken into care.

Each of these projects targets a different group of children to prevent the onset or worsening of problems. The SROs illustrate the value that is derived from a combination of high-quality services that provide an overarching 'net' of provision.

It can often be the case, however, that existing service provision at a local area level is piecemeal and lacking in an overarching strategy to ensure children and families do not fall between the gaps,⁹⁴ particularly between the ages of six to thirteen.⁹⁵

As the UK's first Early Intervention City, Nottingham has made a point of sketching out its service provision to ensure it is co-ordinated and coherent (see Box 16).⁹⁶

The approach taken in Nottingham recognises the interrelationships between helping to create 'good parents, great kids and better citizens'⁹⁸ and highlights the actions which can be taken at a local level towards designing and commissioning services that address these links.

Investing in what works

It is only by making a holistic transition to a preventative system of services – one that combines high-quality service and parental provision with targeted support for those who need it most – that we can hope to break the path dependency of social problems. As we touched on in Section 2, the success of this transition will be dependent on getting better at knowing what services work. In order to do this, we need to be able to reflect the wide range of factors influencing the lives of children and their families in our policy decisions. Some of the benefits of investing in these factors are social in nature, which cannot be reflected in traditional cost-benefit methodologies typically used by the Treasury and policy-makers.

In order to solidify efforts at the service level to promote the well-being of children, young people and their families, we need a broader definition of value, which is concerned not just with unit costs but with the public benefit that a provider brings to delivering a service.⁹⁹ This recognises that every time the public sector spends money, it should do so in a way that achieves as many of its objectives as possible. It is concerned with the value a provider creates across a range of outcomes over the longer term with the resources it is given. Despite this being in line with the Treasury's own recommendations,¹⁰⁰ in reality this approach to policy design and the commissioning of services is not routinely followed.

Citizens' jury reflection

There was a general feeling among parents and children that where successful projects and pilots had taken place, these attempts were piecemeal. They thought that all children and young people should have an opportunity to experience them. The young people thought that one project, which brings young people and older people together, was something that every community could benefit from.

Box 15. Social Return on Investment from Action for Children services.

The nature and aims of each service, together with the overall SROI ratio are shown in Table 6:

Table 6. The nature, aims and SROI ratio of each service analysed

Name	Nature of service	Aims	Ratio
East Dunbartonshire Family Service	<ul style="list-style-type: none"> Provides short-term, focused and flexible support for children, young people and families in crisis 	<ul style="list-style-type: none"> Reduce the number of children being looked after and accommodated To support parents to better meet their children's needs To help children and young people address issues that may be affecting their lives and wellbeing To contribute to assessments of children's needs and parents' capacity to meet these 	9.2:1
Caerphilly Family Intervention Team / 5+ Project	<ul style="list-style-type: none"> An early intervention service for children, young people and families with recently emerging emotional or behavioural problems 	<ul style="list-style-type: none"> The project will work with 80 families per year. 80% of families worked with will report improved relationships with their children. 90% of children worked with will not enter the looked after system during intervention. 80% of parents will report improved self esteem. 90% of families will report that they have found the service to have been of benefit to them. Children/young people worked with will report improved self esteem and emotional well-being. 	7.6:1
Wheatley Children's Centre	<ul style="list-style-type: none"> Provides preventative universal services, more specialized services for referred children, and parenting courses 	<p>To ensure every child achieves the ECM outcomes of:</p> <ul style="list-style-type: none"> Be healthy Stay safe Enjoy and achieve Make a positive contribution Achieve economic well-being 	4.6:1

Interpreting the ratio

The SROI ratio is an important indicator of value, but needs to be understood within the context of how a given intervention sets out to make a difference. For this reason, **a direct comparison between the ratios of different services or projects should be avoided**. In this instance, the three services worked in different areas, with children and families of different ages and with different levels of need. The services also had different levels of sophistication in terms of the quality of evidence gathered. While we estimate that all three projects deliver social value to children and families, you may note that the savings delivered to the state increase as the projects deal with more vulnerable children (i.e., in the case of East Dunbartonshire Family Service). This is driven largely by big economic savings that result from keeping children out of care. The lack of long-term data for interventions that work further upstream to prevent problems hampered our ability to accurately predict and attribute long term change. Although higher returns would be expected from an earlier intervention along a more preventative model, we were hindered by data limitations.

East Dunbartonshire Family Service

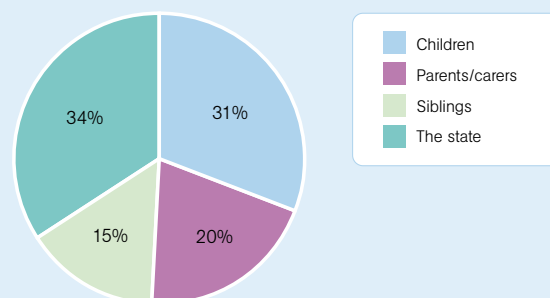
For every £1 invested annually in the East Dunbartonshire Family Service, £9.20 is generated in benefits to society (social value).

Share of social value by stakeholder

- The most significant value (34 per cent) is obtained by the state, which recouped its investment by the end of one year. This is primarily due to the reduction in need for foster care and its associated costs.
- Children derive 31 per cent of the value.
- Parents/carers derive 20 per cent of the value.

Most of the value is delivered within the first three years, but there is significant value delivered to the children and the state beyond that.

Figure 12. A breakdown of the benefits to society of East Dunbartonshire Family Service by stakeholder



Caerphilly Family Intervention Team / 5+ Project

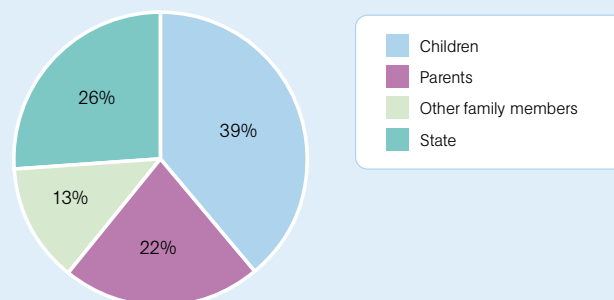
For every £1 invested annually in the Family Intervention Team/5+ Project it generates £7.60 worth of benefits to society (social value).

Share of social value by stakeholder

- The most significant value (39 per cent) is obtained by the children.
- Parents/carers obtain 22 per cent of the value.
- The state derives approximately 26 per cent of the total value; by the end of year three, the state has recouped its investment in the project.

Most of the value is delivered within the first three years, but there is significant value delivered to the children and the state beyond that.

Figure 13. A breakdown of the benefits to society of Caerphilly Family Intervention/5+ Project by stakeholder



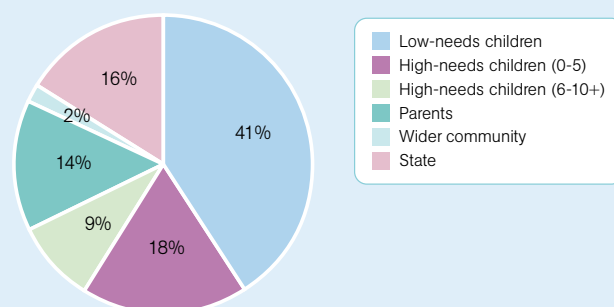
Wheatley Children's Centre

An estimated £4.60 worth of benefits to society (social value) is predicted for every £1 spent on the Wheatley Children's Centre between January 2008 and December 2008.

Share of social value by stakeholder

- The principal beneficiary group are low needs children, accounting for 41 per cent of the benefit.
- 27 per cent of the total benefit generated by the work of the Centre, is for high-needs children.
- Parents and the state benefit in approximately the same measure from the work of the Centre.
 - The principal benefit to the state is estimated to come from savings from not needing to take children into care and from not needing to provide alternative school arrangements.
 - For parents, reduced social isolation and improved mental well-being are the major contributors to their overall benefit.

Figure 14. A breakdown of the benefits to society of Wheatley Children's Centre by stakeholder

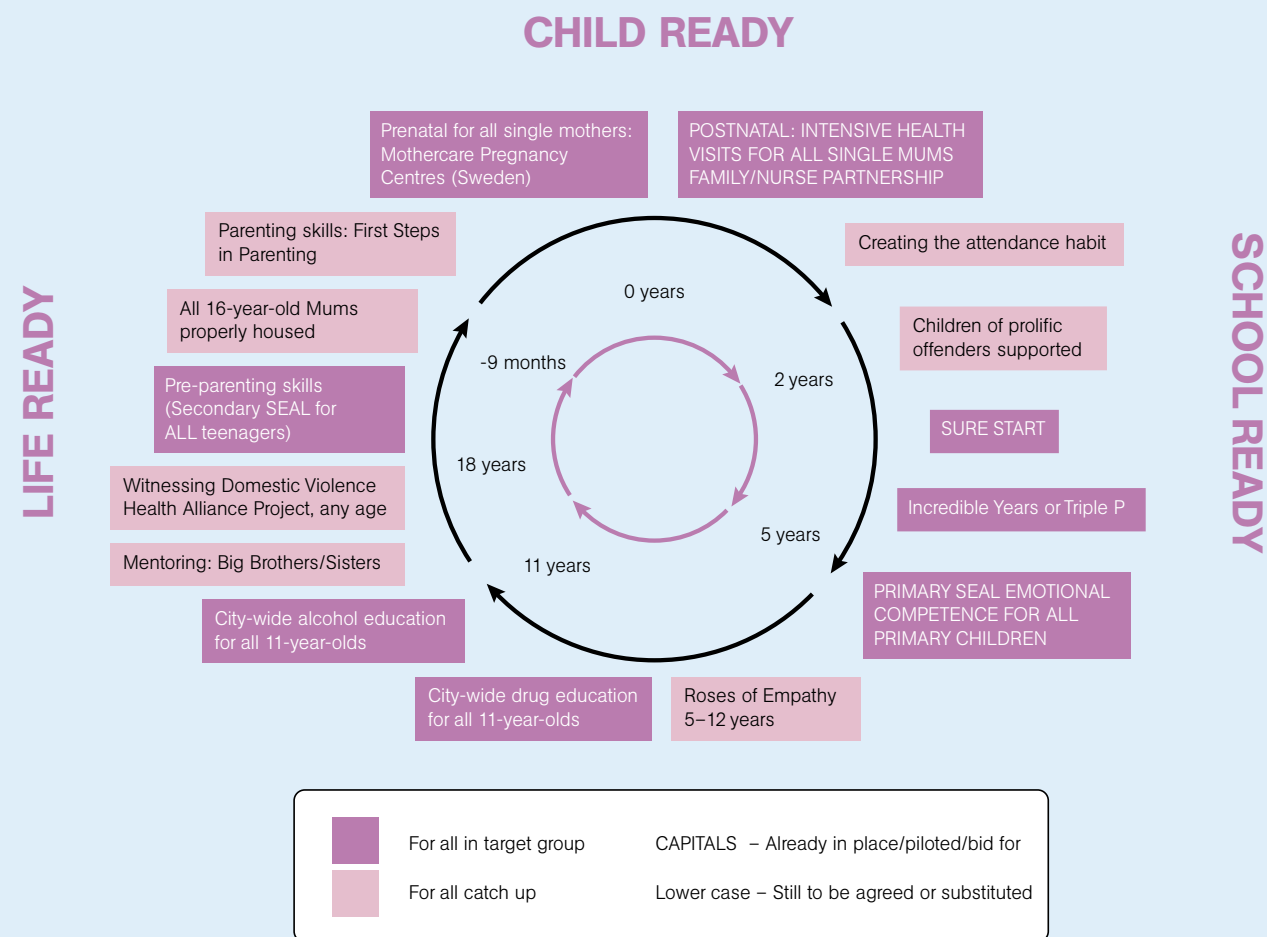


Box 16. Nottingham: Early Intervention City

In April 2008, Nottingham announced that it would become the UK's first 'early intervention' city. The programme focuses, amongst other things, on targeting work at individuals or families who are very likely to have difficulties without effective support or intervention, focusing on the coherence of services for these children and families, and shifting resources to tackle the causes of problems rather than just the symptoms.

A series of innovative projects has been developed by the six strategic partnerships of One Nottingham that relate to specific indicators in the Local Area Agreement.

Figure 15. Nottingham's Early Intervention Package: by age, intervention and aim



Source: Allen and Duncan Smith, 2008 ⁹⁷

The initiative is still in its early stages, with many of these projects only just being commissioned so no evaluation has yet been undertaken, albeit evaluation is in development with the University of Nottingham.

We argue this is related, in part, to narrow conceptualisations of progress which guide the direction of UK society and in turn, influence the way in which we design, commission and resource our public services. The UK Government, like other countries, pays huge attention to the state of its economy and to indicators of national wealth, such as GDP, to measure and guide its progress. Whilst of undoubted importance, this misses the point that the economy is a means to an end in terms of supporting children's well-being and better outcomes for all, rather than an end in itself. This pursuit of economic growth provides the backdrop to the decisions and actions of government on an ongoing basis. It is of little surprise that when it comes to public services our focus is also limited to narrow economic indicators of success.

This acts as a significant barrier to investing in a preventative system which requires spending money up front for longer term social and economic benefit. Overcoming the obstacle requires adopting new assessment tools,¹⁰¹ like SROI, to capture the real changes to children's lives and those of their families that are made by interventions. In addition, tracking progress in relation to subjective measures of well-being will better inform us about how children experience their lives and capture the key steps to achieving and sustaining improved outcomes in the long-run.¹⁰²

But this challenge also necessitates that we address head-on the efficiency savings agenda (Box 17). Such an emphasis on economies of scale focuses minds on unit costs rather than on preventative work. In a period of recession it is even more of an imperative that we make good use of public money to buy the services that make the difference.

There is an increasing tendency for the terms 'early intervention' and 'prevention' to be used to describe any service provided to children and young people, the assumption being that these are always positive initiatives. We found some evidence to suggest that when family support services are applied 'too little too late' (often through parenting orders) to children and families with complex problems, little benefit results. The application of family support services is likely to be optimal in certain situations – for example, before a child has begun offending or behaviours have become entrenched and difficult to change. As shown by our SROI case studies, it is only when we tailor our interventions for children at different levels of need, that we see an improvement in outcomes, which bring benefits to multiple stakeholders.

With public sector cuts looming, getting better at knowing and commissioning what works is becoming increasingly important. We advocate approaches such as those outlined in this section and also refer readers to our practical guides: *A guide to measuring children's well-being* and *A guide to commissioning children's services for better outcomes*,¹⁰⁹ which look at how to design measurement tools and tenders for positive outcomes and maximum public benefit.

Box 17. The impact of the efficiency agenda on preventative services

Since the 1990s, public services, including those for children and young people, have seen an increase in the use of market principles. The aim was to replicate the putative efficiency imposed by the price mechanism on the understanding that it would lead to cost effectiveness. Government launched a series of efficiency reviews. The first incarnation of the efficiency savings agenda ran from 2004 to 2007 and was known as the *Gershon Efficiency Review*. Departments 'over-delivered' on their efficiency-savings targets during this period, achieving £26.5 million, although studies have cast doubt on these figures.¹⁰³ The real impact of these 'savings' on public services has yet to be quantified with some evidence suggesting that they placed already-stretched services under pressure, leading to cuts in services.¹⁰⁴ **nef** has also previously argued that the efficiency agenda runs the risk of generating false economies, where savings in the short term come at the expense of lower quality and, hence, poorer outcomes and greater costs in the long run. This is particularly problematic when seeking a more preventative system which requires us to look at the outcomes from public services for future generations.

What we do know is that the voluntary and community sector (VCS) is experiencing widespread cuts to preventative services for children and young people.¹⁰⁵ Of 173 local authorities and voluntary and community groups surveyed in 2007 across 60 local authority areas, 68 per cent reported cuts in the previous 12 months, with 40 per cent reporting that efficiency savings were the single greatest cause of cuts. Recent studies of the VCS in Oxford and Greater Manchester suggest similar dynamics.^{106,107} The 2009 budget has seen a ramping up of the efficiency-savings drive, which is likely to exacerbate matters, with Children's Trusts recommending that they be achieved 'through the potential for economies of scale within and outside the local area'.¹⁰⁸

Summary

Although it was beyond the scope of this research to project the social value that will be generated by our investment proposals at the macro level, we have sought to measure the economic *and* social returns from investments at the micro level to give an indication of the benefits generated to a broader range of stakeholders than just the state.

Our findings indicate that if we adopt our combined approach – to improve children's external conditions while at the same time enhancing their psychological resources and social functioning – we will see benefits to children, their families, communities and government departments. In conclusion, we suggest our investment proposals not only make economic sense, they will also bring tangible improvements to the quality and experience of people's lives.

But getting better at distinguishing between effective and ineffective initiatives requires a significant shift in the mechanisms we use to inform policy and service decisions. Primarily, this involves reconfiguring our commissioning and measurement frameworks to focus on outcomes. The need to be proactive about addressing the challenges head-on has become more acute by the onset of the recession. Not only have we shown that our investment proposals can generate returns at a time when public money is short, we have also shown the significant social benefits brought from promoting the factors – both 'external' and 'internal' – that equip our children and families with the capabilities and experience to 'bounce back' from the challenges that lie ahead.

In Section 5, we draw together a series of recommendations which, if implemented, will set in train the transition to ensure these economic and social benefits are delivered to all.

5. Backing the future: recommendations for a successful transition

This report has presented a compelling case for a change of direction. To establish an environment in which children can live happy and fulfilled lives, and where we create the conditions for a better and fairer society for families and communities, we have shown it is necessary for governments in the UK to invest differently and to change the way services work.

We started with four main research questions. To address them, we have combined economic analysis with SROI assessments, case study investigations with scientific literature review, and citizens' jury findings with guidance from the Young People's Reference Group and the Expert Learning Panel. We have shown that to be successful, policies designed to achieve positive change for children, families and communities must combine consideration of the structural factors affecting the circumstances of their lives, together with the psychological and social aspects of their well-being. In summary, we have highlighted the need to:

- Invest in targeted interventions that we know work for our most vulnerable children to improve outcomes and short-circuit the intergenerational cycle of disadvantage.
- Invest in high-quality universal services and parental provisions to build the foundations for a more equitable and well-functioning society over the medium and longer term.
- Reshape targeted and universal services so that they build on the assets and strengths of children, young people and their families as well as address their needs.

We have also demonstrated the need to remove the barriers which stand in the way of change and which hamper the scale and speed of progress that needs to be made.

Proposals for reform

Throughout our research, we have found that the challenge which faces governments is less about building consensus on the need for change, and more about knowing the shape it should take and how it can best be achieved. Our key proposals for reform are targeted towards all levels of government throughout the UK. We recognise, however, that others – parents, carers, grandparents, siblings, friends, neighbours, community members, business leaders and more – all have a role to play in influencing the well-being and long-term outcomes for children and young people. A number of our recommendations to governments are therefore designed to enable these stakeholders to also play a positive role.

Our proposals are grouped into three 'reform packages', each designed to respond to the evidence on what is needed and to tackle the barriers that stand in the way. Taken together these will better enable governments to create the conditions for high well-being and positive outcomes for all, both now and over the long term. We reiterate that our focus in this project was on identifying the changes needed with regard to the role of universal and targeted service provision in supporting the transition to a brighter future. Thus, we do not rule out the potential for other reforms to improve outcomes for children, families and communities but rather focus our attention here on service level changes.

Under each package we present a series of specific recommendations, flagging those that also reflect suggestions made by young people and parents on the citizens' juries. To achieve a successful transition, these packages will need to be implemented together:

- Reform Package 1: Buy the services that make a difference.
- Reform Package 2: Invest in essential universal provisions.
- Reform Package 3: Improve the way services work.

Reform Package 1: Buy the services that make a difference

The case for reform

The UK performs poorly across a range of indicators of child well-being, with some children, young people and families facing particular disadvantage and requiring additional support. Providing high-quality targeted interventions to those who need it most must therefore be a priority in any suite of proposals for reform.

Our recommendations under this reform package are designed to ensure that national and local governments get better at ensuring there is a continuum of support available to children and their families, and that this support helps to promote positive outcomes for all.

To facilitate a successful transition, we include recommendations to address key barriers which stand in the way of reform in this area. In particular, these barriers have been:

- The lack of an economic model showing how a transition towards a more preventative system can be achieved in practice, with the result that we continue to be locked in a curative rather than preventative service framework.
- Inadequate policy evaluation tools which restrict investment decisions being considered beyond their financial return to the state and mean public services are led more by cost efficiencies, not by public benefit.
- Insufficient high-quality measurement and evaluation tools in place to identify needs and gaps in services, and to inform investment decisions accordingly.

Our recommendations for reform:

1.1 Roll-out evidence-based, high-quality targeted interventions for those who need it most

Our recommendation is that UK governments invest in a range of targeted interventions for those who are most vulnerable in our society or likely to suffer negative outcomes. We present this as an emergency measure to address disadvantage and ensure that the transmission of negative outcomes from one generation to the next is stopped. The need for these initiatives would decrease once the benefits from additional investment in universal services and parental provisions begin to take effect.

The indicative scale of investment we calculate as necessary is £191 billion over a 10-year period. With a total saving of £460 billion, our indicative calculations show a net return on this investment of £269 billion over the next 10 years. However, providing targeted services cannot be achieved as a blanket measure, to be rolled out in the same way across every local authority area. The approach taken to introducing new targeted services needs to be responsive to the conditions and issues facing individuals, families and communities and be linked to specific local contexts. We therefore also recommend that:

- The Treasury builds on our analysis and conducts a detailed assessment of the approaches which appear to work best in targeting needs in a UK context and, where evidence is lacking, it commissions new evaluations.
- Children's Trusts (and their equivalent bodies across the devolved administrations) review the extent to which they currently provide a continuum of support for children and families, and identify where



additional investment in targeted interventions is most needed. An important part of this process should be to work with the very people service provision is designed to support – children, young people and families (for example, some of the jurors identified gaps in local services with regard to respite care).

- The Treasury, with a small group of local authorities, establishes a Working Group to investigate the financing mechanisms which can be put in place to enable investment in a range of targeted initiatives. This should include consideration of the potential for issuing a series of bonds, including at sub-national level, and the changes to legislation which may be required to permit this to take place.

1.2 Replace conventional cost-benefit analysis with techniques able to demonstrate the full public benefit of interventions

We recommend that SROI replace conventional cost-benefit analysis techniques and be adopted by HM Treasury and Children's Services departments when assessing policy proposals designed to improve the lives of children, young people and their families.

With fewer resources available and the anticipation of rising needs as the recession is increasingly felt by our children and families, allocating resources on the basis of a poor evidence base is no longer an option. We need services that will deliver real value, and which are accounted for with a broader range of stakeholders in mind, such as our children, their families and communities.

Adjusted cost-benefit measures such as SROI provide one way of evaluating a wide range of social, economic and environmental outcomes that accrue to a wide range of stakeholders. The technique has been recognised by the Cabinet Office who has recently issued a *Guide to Social Return on Investment*.¹¹⁰

To continue to build the evidence base needed for comprehensive SROI analyses, we also advocate research and development takes place to improve the measurement of psychological and social well-being outcomes.

1.3 Improve the evidence base on local needs by introducing a Children and Young People's Well-being Assessment duty

We are calling for local interagency partnerships responsible for delivering children's services (such as Children's Trusts) to be tasked with a duty to conduct annual assessments of the well-being of children, young people and their families at a local area level.

This should involve drawing together existing information in relation to the different ingredients of child well-being, and conducting new surveys or other research where there are gaps. The assessments should therefore bring together analysis which looks at the external circumstances of children's lives, including poverty and deprivation, as well as capturing components relating to their psychological and social well-being (e.g., supportive relationships, a sense of belonging, competence, emotional well-being). (Refer to *A guide to measuring children's well-being* for further information.¹¹¹)

The purpose of the assessment duty will be to improve the evidence base upon which investment decisions are made locally, ensuring the effective targeting of resources and commissioning of services where they are needed most.

In addition, the Children and Young People's Well-being Assessments could act as a useful vehicle for supporting local partnerships to capture the necessary data for understanding and reporting performance in relation to change for children. For example, in relation to children's psychological well-being Children's Trusts in England could use the data to report against National Indicator 50 on the emotional health of children.

1.4 Commission (and de-commission) children's services on the basis of value rather than cost

Children and young people's well-being will be influenced most acutely at the local level – by what happens at home, at school, or in their neighbourhood. It is similarly the local level at which children are most likely to come into contact with services and support mechanism designed to improve their lives.

Commissioners need to use definitions of value for money that incorporate the long-term social and economic benefits of a service. Unit cost information is meaningless if it is detached from its relationship to outcomes. It is only by making outcomes visible and assessing them on the same terms as traditional financial indicators that we can ensure that they are not squeezed out of decision-making.

We therefore advocate use of the Sustainable Commissioning Model and other outcomes-based approaches by Children's Trusts as standard. This should include use of the measurement techniques such as the outcomes star, which has been developed for children's services. (Refer to *A guide to commissioning children's services for better outcomes* for further information.¹¹²)

By improving techniques and indicators to capture the outcomes of targeted interventions, local partnerships should also be in a better position to de-commission the services that fail to make a difference. In doing so, the total costs of funding the targeted interventions package will decline over the transition period and the return on investment will increase.

Reform Package 2: Invest in essential universal provisions

The case for reform

The composition of spending on children and families, in terms of the type and timing of investment, can make a significant difference to the outcomes observed. Elsewhere in Europe, universal services and provisions for the early years play a much greater role than in the UK where we tend to see greater investment in cash transfers to remedy social problems, but with far less impressive results. Investing in universal services and provisions to help achieve a transition towards a more preventative system is essential to:

- Provide genuine options for parents, irrespective of their income.
- Give all children a positive start in life, thus increasing the chances of them achieving their full potential.
- Create a level playing field where we reduce inequality and its socially corrosive consequences (inequality is a strong predictor of lower child well-being).

Our recommendations in this reform package are therefore designed to help set all children on a pathway of positive social, psychological and material well-being from a young age, and to provide a basis for more equal outcomes over the longer term. Take-up of the universal services and provisions would, however, remain optional for parents, depending on their preferences and circumstances.

To facilitate a successful transition, we also include recommendations to address key barriers which stand in the way of reform in this area. These relate in particular to:

- A lack of political will to look beyond short-term policy-making cycles when it comes to investing in the future of our society through our children.
- Measures of societal progress which fail to value how children and young people are faring across the range of well-being ingredients which affect their lives, and which continue to reflect children as private commodities rather than public goods.
- An uneasy relationship regarding child and family policy in terms of whether it is a public or private issue, and therefore the extent to which governments play a role in creating the enabling conditions necessary for higher well-being.

Our recommendations for reform

2.1 Provide universal childcare provision for all children aged 0–4 years

Our recommendation is to extend provision beyond its existing scale so that the same high-quality and affordable nursery/childcare is accessible to every parent. We recommend that a system of universal childcare provision is rolled-out for all pre-school aged children (aged 0–4 years) in the UK. This should include investment in the set-up, fixed and running costs, as set out in Section 2.

2.2 Extend paid parental leave

We recommend that a better work-family balance should be supported by longer periods of paid parental leave. This should include provision for paternal and maternal leave, particularly the extension of paternal leave on a 'use it or lose it basis' to enable fathers to spend more time with their children.

Of all the intimate relationships that children form with the adults around them, early primary care relationships have to be the most important. Not only have these relationships been shown to influence brain development, but the opportunity to engage in collaborative communication is also critical for social and psychological well-being. These early experiences provide the basis for later positive feelings and functioning in childhood *and* adulthood. However, we live in a society where time poverty is on the increase and where financial imperatives mean that many parents are forced to return to paid work earlier than they would wish. In addition, aggressive welfare reforms that argue the need for lone parents to get back to work further increase the demands on parents' freely available time.

We suggest one mechanism for financing the fixed and set-up costs of these schemes is through the issuance of a series of annual investment bonds over a 10-year period. Beyond that, our analysis has shown that the programme will become self-funding through savings from public expenditure on preventable problems.

2.3 Achieve cross-party commitments to investing in essential universal provisions for children and families

We advocate cross-party collaboration and shared manifesto commitments on the universal provisions outlined – childcare provision and paid parental leave – to ensure the UK achieves and maintains a shift towards a more preventative system for children, families and communities. The economic case for taking this approach has been proven; this now needs to be matched with the political will to make it happen.

We recommend in particular:

- Manifesto commitments by all main political parties for investing in universal childcare services for children aged 0–4 years.
- Manifesto commitments by all main political parties for investing in extended paid parental leave entitlements.
- Financing proposals to be developed and shared by each of the main political parties to demonstrate how they each propose to fund the investments, and the period over which this investment will take place.

We further advocate that these commitments are made alongside proposals for investing in targeted interventions to support children and families in greatest need (Recommendation 1.1).

2.4 Establish new measures of societal progress as a mechanism to better value children and young people as 'public goods'

We recommend that the UK Government establish National Accounts of Child Well-being, with data that can be disaggregated across the four nations. This would comprise a selection of indicators of child well-being which are collected on a regular, systematic basis across the four nations, as well as for the UK as a whole.



The UK will be unable to achieve a shift towards a preventative approach to improving children's lives if progress continues to be assessed along narrow economic lines or on the basis of reducing harm, deprivation or risk alone. The purpose of National Accounts of Child Well-being should be to provide more meaningful measures of progress in relation to children and young people's lives, and a mechanism to assess whether investment in universal provisions is achieving benefits for children and laying the foundations for future benefits to society. Crucially, these accounts should serve to focus attention (among the public, politicians and the media) on the importance of valuing children as 'public goods' worth investing in on a universal basis. A range of components should be included to reflect the dynamic nature of child well-being.

There is growing consensus on the need for positive indicators of child well-being¹¹³ such as those proposed here as National Accounts of Child Well-being and existing survey research and analysis underway on which the UK Government can build. This includes work by the UK Office for National Statistics on reviewing current measures of children's well-being¹¹⁴. Existing surveys, such as the Tellus survey, could be quite easily adapted to include a greater number and range of positive indicators of child well-being. However, opportunities for introducing a new UK-wide survey of child well-being should also be explored.

Reform Package 3: Improve the way services work

The case for reform

It is clear from the evidence that the psychological and social well-being of children plays a significant part in promoting 'good childhoods' where children lead happy, fulfilling and engaged lives. The evidence also highlights the potential for higher psycho-social well-being to influence positive outcomes over the longer term. When we look to European countries performing better than the UK on social outcomes and child well-being, we find that many of their approaches, like pedagogy, are holistic in nature and work with the *whole* child. Alongside mechanisms which improve the conditions of children's lives, ensuring policies and services help to promote positive psychological and social experiences is also important.

Our recommendations under this package are therefore designed to get the 'how' of service reform right. Although a range of factors will influence children and young people's psychological and social well-being, the way in which services are provided at both a universal and targeted level play a key contributory role.

To facilitate a successful transition, we also include recommendations to address key barriers which stand in the way of reform in this area. These relate in particular to:

- Inadequate recognition, promotion and use of, children and families' wider networks to promote well-being and help sustain positive change over the longer term.
- Conventional approaches to service delivery that tend to view children and family members as passive recipients of services only.

Our recommendations for reform

3.1 Promote the six service pathways to child well-being

We are calling for children's departments across the four nations to promote the six pathways to child well-being to all service professionals working with children and young people.

The six pathways are:

- 1 Link up and link in
- 2 Think family
- 3 Promote the positive
- 4 Encourage action
- 5 Factor in fun
- 6 Recognise children's wider world

These pathways should be reflected in forthcoming policy documents and workforce development programmes, and should be promoted by running a government-funded internal communications campaign.

3.2 Fund and evaluate a UK-wide pilot on a co-production approach in children's services

We recommend the lead departments for children and family services across the four nations come together to fund a UK-wide pilot programme to explore the extent to which a co-production approach to children's services can help promote the six pathways to child well-being, and lay the foundations for positive outcomes longer term.

This programme should take place over a minimum period of 18–24 months and should involve pilots across a range of service settings and local contexts. For example, we advocate pilots being run and evaluated in relation to a blend of universal and targeted service settings and with different age groups of children.

As part of the evaluation of the UK-wide pilot we advocate the following are given specific consideration:

- The benefits and limitations of co-producing with high-needs children in targeted interventions, to clarify whether there are circumstances in which co-production may not present a useful approach.
- The potential for embedding a co-production approach into the ethos of state-sponsored primary and secondary schools throughout the UK. As part of this we suggest children's departments across the four UK nations (including the DCSF) review the merits of the *Learning to Lead* programme which is currently being piloted in 10 secondary schools in the UK as well as primary feeder schools.



3.3 Invest in workforce development and establish a 'Children's Services in the twenty-first century' learning network

Given that pedagogy is an established model for practice, training, education and qualification, which has met with considerable success in Europe, we advocate that learning from the DCSF pilot programme of social pedagogy in children's residential care in England is shared across the nations and fed into training and workforce development packages. Practical insights into how to foster reciprocal working, children's social connections, and how to value the contributions of children and their families will be particularly important insights for services actively promoting psychological and social well-being.

In order to share learning and best practice in relation to new ways of working, we also recommend that the UK Government (with additional support provided by children's departments across the four UK nations where possible) fund a learning network on 'Children's Services in the twenty-first century'. Young people and professionals can be linked together to learn from the progress they are making, share what works and what doesn't, and look for solutions to common issues. An online network could be supplemented by an annual conference which could bring these pioneering new approaches together with those keen to adopt new practices into their ways of working.

The aims of the learning network should be to:

- Share experiences and skills.
- Bring children, young people and professionals together.
- Identify the barriers in conventional approaches to service delivery.
- Compare practice.
- Celebrate achievement.
- Develop a coherent set of tools.
- Share information with others interested in working this way.



The citizens' jury participants also specifically identified the benefits of having opportunities to share experiences and learning among service users.

Two initial areas in which the learning network could come together to share practice are the service pathways to child well-being and co-production approaches, including use of the self-assessment guide, as set out in *A guide to co-producing children's services*.¹¹⁵

3.4 Better support families and communities to achieve change for children

All children, families and communities come into contact with public service providers at some time in their lives in the UK, whether this is through health visitors, children's centres, schools, the careers service, the probation service, parental support projects, and so on. To help create the conditions for a more preventative approach, service providers not only have a direct, service-delivery role to play but should support children, young people, families and local communities to themselves take action and 'be the change'.

In addition to addressing the structural barriers which stand in the way of adopting a more preventative approach, the parent jurors on our citizens' jury recommended a clearer steer from government on the key issues – like *quality* time with parents – that make a difference to children's well-being.

We therefore recommend that the UK Government and the devolved administrations fund the development of clear, evidence-based messages to communicate simple ways in which parents and communities can promote the happiness and well-being of children. These messages should be framed in a concise, helpful, upbeat and fun way. The language in the messages should be straightforward and something children themselves can take ownership of and understand.

To effectively convey the set of messages, a combination of techniques should be communicated to as wide an audience as possible. Some options include:

- Leaflets for health visitors/schools.
- Online marketing using social networking sites.
- Billboard advertising in key public locations (e.g., transport hubs).
- An advertisement for TV and cinema, as suggested by the parent jurors.

Local interagency partnerships responsible for delivering children's services (such as Children's Trusts) should also be supported to explore how they might use the set of messages as a basis for more locally tailored public awareness campaigns and to embed the approaches in their day-to-day practices.



Backing the Future

The findings outlined in this report provide a compelling economic and social case for transforming the way in which we invest in the future of society through our children. We show that the way governments configure targeted and universal service provision for children has a direct impact on the way children experience their lives and a bearing on their longer term outcomes. We also show that investing now to promote child well-being is in the public interest, not just because it ensures more effective use of public resources but because it delivers improved social outcomes and ultimately, benefits us all.

Technical Appendix

Calculating the costs of social problems in the UK and Europe

We wanted to compare levels of social problems in the UK with other countries in Europe. We, therefore, began by selecting the following 15 countries as a benchmark for the UK.

Austria ● Belgium ● Denmark ● France ● Finland ● Germany ● Greece ● Ireland ● Italy ● Luxembourg ● The Netherlands ● Norway ● Portugal ● Spain ● Sweden

The countries were chosen for their similar social and economic structures to the UK and the availability of comparable data.

We then compared the prevalence of the following outcomes across our sample countries:

- Productivity losses from 16–19-year-olds being **NEET**.
- NHS costs from **obesity**.
- Costs of **crime** to the state and wider economy.
- Welfare and health costs of **teenage births**.
- Welfare and health costs of **substance misuse**.
- Costs of **mental health problems** to the state and wider economy.
- Costs of **family breakdown** to the state.
- **Regeneration** costs from attempts to offset spatial inequality.
- NHS costs from dealing with the consequence of **violence experienced by children**.

Criteria for selecting outcomes

Data availability was a selection consideration. Most of the data used were drawn from OECD studies but comparing how the UK fares across these outcome areas with other countries was challenging, as data do not exist across the sample for all of the issues that we identified as being most important in the UK. For example, data on domestic violence are not gathered systematically across OECD countries, and reporting levels vary hugely across cultures.

Outcomes were also selected based on being costly yet preventable problems. It was anticipated that some countries would do better than others in preventing problems from developing. Because we were only looking at problems that had a readily identifiable financial cost, rather than issues of broader social value, we did not include important variables such as child poverty or children's psychological and social well-being.

Finally, because of the interrelatedness of these issues and the fact that they are likely to relate to the same children and families we were cautious to avoid double counting. For example, the costs related to high child poverty will cover many of the same issues included in our index (e.g., mental health problems, crime, etc.)

Calculating the costs

Across all the outcome areas, we first calculated the annual unit costs (i.e., per person) of the problems in the UK. We then calculated in UK terms the cost to each country in our sample of dealing with the level of prevalence that they experience for each outcome area, i.e. we calculated the costs of other countries' social problems based on UK prices and population.

We now describe the rationale, assumptions and sources used to calculate the costs of each social problem for our sample countries. Unless otherwise stated data were drawn from the OECD *Society at a Glance* indicators, using the latest year available.¹¹⁶

- **NEETs**

Data comparisons were drawn from 2006; the UK had the highest proportion of NEETs within our sample set of countries with 10.9 per cent of young people being classified as NEET. Much research has been done on the detrimental long-term and wide-ranging impact that this has on young people; they will often move in and out of employment for the rest of their lives.¹¹⁷ Costs have been estimated at around £100,000 per year.¹¹⁸ However, these costs would be likely to overlap with some of the other outcomes (e.g., mental ill health) that made up our composite; therefore we only looked at annual productivity losses, which were costs not being captured by the other outcome areas. This amounted to an annual cost of £3,651¹¹⁹ per person for 10.9 per cent of young people aged 16–19 in that year. Whilst this is not a direct cost saving to the state it is a proxy for increased taxes, reduced benefits and improved educational attainment from this group being in work, which are harder to calculate because of displacement effects and data availability. Costs for other countries were then calculated in UK terms.

- **Obesity**

The indicator used to measure the prevalence of obesity in countries was the percentage of population with a BMI >30 and data were drawn from 2005 and 2006. On this basis, obesity accounts for a significant proportion of the overall UK costs for our sample of social problems – at a prevalence of 24 per cent obesity levels in the UK are almost double the average of the other EU countries. In 2007, the estimated cost to the NHS is £17.4 billion. The indirect costs, including things such as absence from work, have been estimated at £15.8 billion. Therefore, the total social cost of obesity is £33.2 billion.¹²⁰ These results are specific to England. If you assume the same level of obesity and costs across Wales, Scotland and Northern Ireland, the costs would be £3.25 billion, £1.95 billion and £1.1 billion respectively. The total for the whole of the UK would be £39.5 billion.

The costs per person of obesity are estimated at £2,715 and this has been multiplied by 24 per cent of the population in 2006 to arrive at our baseline cost. Comparable costs for other countries were then calculated in UK terms.

- **Crime**

Crime is notoriously difficult to measure and compare across countries. For this indicator we have used the OECD crime victimisation study.¹²¹ A Home Office study from 2000 estimates the social cost of crime at £60 billion a year.¹²² Adjusted for inflation, the cost of crime in 2009 is approximately £78 billion. The figures are specific to England and Wales. By extrapolating this figure, the cost for the whole of the UK would be £84.8 billion. We have used this figure to estimate the average cost per crime, which is about £6,680. This is consistent with other estimates of the cost of crime.^{123,124} Costs associated with levels of crime in other countries were then calculated in UK terms.

- **Teenage births**

Although high levels of teenage pregnancy have been associated with poorer outcomes for mother and child in later life, we found that most of these overlapped with other outcomes such as being NEET, and were likely to be heavily rooted in a young woman's experience of poverty and exclusion, which is accounted for in some of the other outcome areas. We therefore only calculated a small proportion of the increase in income support, as well as health and social work costs, which would arise from each teenage pregnancy. This amounted to £11,250 per teenage mother per year (£10,000 benefits¹²⁵ plus £1,250 health and social costs¹²⁶). Costs associated with levels of teenage pregnancy in other countries were then calculated in UK terms.

- **Substance misuse**

The indicator used for this outcome was the annual prevalence of substance abuse as a percentage of the population aged 15–64. To estimate levels of substance misuse across Europe, data was drawn from the European Monitoring Centre for Drugs and Drug Addiction.¹²⁷ The annual costs to the UK of substance misuse were calculated in 2000 to be £10,402 per user. Adjusted for inflation, the annual costs per user were estimated at £12,500.^{128,129} This translated into a total cost of £77.7 billion for the UK. Costs associated with levels of substance misuse in other countries were then calculated in UK terms.

- **Mental health problems**

Data for the prevalence of mental ill health was drawn from the Eurobarometer for 2003.^{130,131} This was gathered through face-to-face interviews focusing on 'experiences of one's mental health status in terms of current symptoms of depression or anxiety, sense of psychic distress, sense of positive experience of energy and vitality and awareness of a social support networks.'¹³² As this places the UK significantly above European countries at a prevalence rate of 31.5 per cent, we are assuming that this dataset captures quite low levels of mental health disorder that might not necessarily have a cost attached to them.

A King's Fund study has found that there are 8.65 million people in England dependent on mental health services.¹³³ Extrapolating for the UK and assuming costs hold, we have calculated a cost per person for accessing services at £2,600 per year, arriving at a total annual cost to the UK of £26.8 billion. Costs associated with levels of mental health problems in other countries were then calculated in UK terms.

- **Family breakdown**

Although not necessarily always a negative outcome, family breakdown was the most robust indicator available for domestic disharmony. Domestic violence would have been more appropriate but data are not routinely gathered to evidence this, and cultural differences in reporting across countries mean that what is available is unreliable. Family breakdown has been estimated to cost anything between £4 billion and £15 billion a year in benefits, legal and welfare costs.¹³⁴ We have taken a mid-way point of £10 billion, and calculated the cost per family breakdown to be in region of £1,543. Costs associated with levels of family breakdown in other countries were then calculated in UK terms.

- **Spatial inequality**

As we don't have a measure of spatial inequality across Europe, we have used income inequality as a proxy. The assumption is that this spending would be avoided if these inequalities did not arise in the first place. This is a conservative estimate, as it is only a part of the costs incurred by local and central government in attempts to regenerate deprived areas. The UK spends on average £5.5 billion a year to offset the costs of area-based deprivation through regeneration programmes.¹³⁵ As the UK has the highest level of inequality in our sample, we assumed that each of the other countries would spend a reduced percentage of UK costs depending on their level of inequality.

- **Violence experienced by children**

Again this was not the ideal indicator to reflect the comparative safety and well-being of children but data were available for comparison. A preferable indicator would have been the abuse and neglect of children, which would have allowed us to include care costs but this was not possible. Instead, we have used UNICEF data on violence experienced by children. For each country we generated a cost by multiplying the number of A&E visits as a result of violence towards children¹³⁶ by the average UK cost of an A&E visit. This is therefore a conservative estimate, which we expect does not take into account the full cost of this outcome.

The country costs for each outcome allowed us to survey the scale of the problem in the UK compared to other countries and to identify those countries that were performing best. These were predominantly Scandinavian and northern European countries, followed by southern European countries, with the UK languishing at the bottom.

To calculate the cost/benefit of a more preventative approach, our analysis then focused in on the UK alone. Rather than being confined by the lack of cross-country data, we based the following calculations on the more appropriate costs of domestic violence and child abuse and neglect (replacing family breakdown and violence experienced by children, respectively). These problems matched better with the evidence of effectiveness from the targeted interventions. For domestic violence we took the costs to services less criminal justice to avoid double counting (amounting to £2.1 billion).¹³⁷ Child abuse and neglect accounted for £9 billion, which were the care costs associated with children entering public care as a result of these problems. All other outcome areas remained the same as in the cross-country comparisons.

Projecting the costs

In projecting the costs of the UK's social problems over the next 20 years, we took our data on the UK costs for dealing with each outcome area and multiplied them by population projections. This was a conservative approach, given, as mentioned earlier, some trend data which predicts starker increases in some of our outcome areas.

For example, obesity is predicted to be on a sharp upward trajectory with studies suggesting it will hit 40 per cent by 2030.¹³⁸ Similarly, incidences of mental health are on the increase and predicted to rise by 14 per cent by 2026.¹³⁹ Despite these projections, we took a very conservative view, by basing our projections of future costs on population increases (based on a 0.6 per cent increase in population each year) rather than social trends. Our estimates are therefore likely to significantly underestimate the real costs that lie ahead if the high prevalence of social problems in the UK is not tackled now.

Calculating the targeted intervention costs

In this report we suggest a dual investment package of targeted and universal interventions. These are to be considered as complementary and part of a whole, rather than optional. The targeted interventions – designed to improve UK outcomes in line with those experienced in the best of our comparator countries – were chosen from a suite of projects empirically analysed by the Washington State Institute of Public Policy.¹⁴⁰ This was an international review of hundreds of targeted interventions predominantly from the USA but also from other English-speaking countries. They filtered evaluations of these studies on the basis of their robustness and again on their proven effectiveness in reducing negative outcomes. This resulted in a set of potentially effective interventions with a strong evidence base, which has been shown to work in an environment not unlike that currently facing the UK. We identified interventions that most closely and effectively targeted the problems that we were concerned with and had been proven to have significant results that were measurable and costed.

For each outcome we estimated the total potential population that the intervention would refer to. Some, although targeted, would need to be applied in a universal fashion. For example, universally delivered interventions to tackle child obesity in schools should better avoid stigmatisation and the singling out of children, all of whom could potentially be at risk from obesity. For others, such as mentoring, they would ideally be targeted at a smaller group of children. In this instance, we assumed that mentoring would be available to all socially excluded children (using child poverty as a proxy). Other, very specialised services, such as therapy designed for high-risk offenders, would be provided to children presenting with offending behaviour alone. Some services worked with pregnant women and young mothers considered to be at risk; our sample population in this case was the two per cent of families identified as socially excluded by the Social Exclusion Task Force.¹⁴¹

We projected these populations forward using the average forecasted increase in the UK population to 2030. We then predicted the extent to which these problems would reduce, based on the empirical data and allowing for set-up and completion time. We recognise, however, that there is a risk that these projects would not replicate the same level of effectiveness in a UK/scaled-up context, and therefore have reduced the reported efficacy by 50 per cent for each outcome. Even on this basis the results are very encouraging, showing a positive, cumulative return by 2016.

Calculating the universal service costs

We looked at policies across our sample European countries to examine those that best relate to better outcomes. We found that the countries performing well in our outcome areas invested more heavily in universal childcare provision and funded parental leave.

Running costs of universal provision

Ongoing running costs for increased childcare and parental leave provision were calculated by comparing UK investment levels in these provisions with those of the best-performing European countries sampled. We calculated the difference between the proportion of GDP spent on these services in the UK and the average spend in Sweden, Finland and Denmark. It was assumed that this additional spend on universal provisions to increase UK's investment levels to match the average of Sweden, Finland and Denmark would need to be maintained annually and on an ongoing basis.

Set-up costs of universal provision

It was assumed that increasing parental leave provisions would not require investment at the outset to establish. But the running costs of the childcare provision were supplemented by some start-up costs. In order to calculate the fixed, up-front costs of childcare provision, the infrastructure costs to set-up a childcare place were calculated at £6,100.¹⁴² We then used the child/staff ratios used in Sweden to estimate the number of new childcare workers that would be required (564,783 in a UK context). Finally, using DCSF data, we estimated how much it would cost to train them to NVQ3 in Childcare.¹⁴³ Adding the infrastructure and staffing costs together, we arrived at a total cost of £12 billion, which we phased in over three years (£4 billion per year).

Calculating the savings generated from investment in targeted and universal provision

Our model predicts savings arising in three areas:

- 1 Reduced costs from cash transfers to offset child poverty.
- 2 Reduced public service costs from breaking intergenerational disadvantage from targeted interventions.
- 3 Reduced public service costs from better outcomes for the next generation of children that are less reliant on services.

For the first of these we assume a reduction in existing spend on child poverty (currently approximately £75 billion per year) of 3.5 per cent as a result of universal services. Figures on child poverty vary depending on the measure used. We have taken the proportion that live in households with below 60 per cent of median income after housing costs (27 per cent).¹⁴⁴ This policy is likely to have an effect on women's labour market participation, which in 2003 was 69.2 per cent in the UK compared with 72.1 per cent in Finland and 76.9 per cent in Sweden. We thus reasonably assume that the prevalence of child poverty would be reduced through the introduction of universal services.

Our estimated reductions are still considerably less than what would be required annually were the UK to reach the 2020 target of eliminating child poverty. By 2030, it would be reduced to 13 per cent, which is close to the OECD average of 12 per cent. Clearly other measures would also be required to eradicate child poverty. But a reduction of 3.5 per cent does equate to a reduction in spend in real terms of almost £20 billion, which is just over what is needed to maintain investment in universal provision in line with high-performing countries. Therefore, over the transition period, a reallocation of public spending on children would occur, away from addressing negative outcomes to a more preventative system.

For targeted interventions, we calculated the savings from having fewer children dependent on services. Based on the evidence base showing an improvement in outcomes, we projected a decrease in the proportion of children requiring support from services, across each outcome area. For example, the intervention to help with obesity had 10 per cent effectiveness over 36 months. We have therefore assumed

that every three years from 2010 onwards five per cent (we halved effectiveness) fewer children would need access to the service.

We assume that the additional investment spent on targeted interventions in 2010 concludes in 2020 – as issues become resolved there is less demand for the services. Targeted interventions are by nature time-limited and not intended to be delivered in perpetuity. Whilst there will always be demand for some of these services, the kind of coverage that we are suggesting as part of the dual package would not be required. By 2020, we also assume that the benefits from the universal services begin to bear fruit (the first round of children reach the age of 10 and fewer are dependent on services than in the past). Universal services, we suggest, will 'lock in' the gains from the targeted interventions and prevent a new generation from children of entering a cycle of disadvantage.

Financing the investment: calculating the bond repayments

We recommend raising the funds for our investments through a series of annual bond issues, with 10-year maturities. We assume that bonds are issued annually to meet the costs of funding the targeted interventions, and assume the interest paid (or 'coupon') to be four per cent throughout the period of issuance. All bonds are of 10-year maturity, which were yielding a little under 3.5 per cent at the time of writing. We assume a four per cent rate throughout the period to take account of potentially higher borrowing costs in the future. Table 7 sets out the bond issuance and the annual bond payments based on this interest rate. Given that the bonds have 10-year maturities, the bulk of repayments does not begin before 2020, within which time, considerable savings from the targeted interventions have been generated. At no point is the net financing position (net cumulative position) negative.

Table 7. Annual Bond issuance, debt service costs and savings from interventions (£ billions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Bond issuance	49.6	49.5	47.5	40.4	38.9	36.4	33.6	31.9	30.0	28.9	28.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Annual bond payments	0.0	2.0	5.3	8.3	10.9	13.6	16.2	18.7	21.1	23.5	109.7	99.8	97.2	87.8	84.1	79.1	75.4	71.0	67.4	63.3	60.0
Annual savings from dual interventions	0.0	6.2	13.7	27.4	39.9	51.6	61.9	71.1	79.2	86.4	91.0	91.6	94.2	95.1	96.0	96.9	97.8	98.7	99.5	100.4	101.3
Cumulative bond payments	0.0	2.0	7.3	15.6	26.5	40.1	56.3	74.9	96.0	119.5	229.2	329.0	426.2	514.0	598.1	677.2	752.7	823.7	891.0	954.3	1014.3
Cumulative total savings	0.0	6.2	19.9	47.3	87.2	138.8	200.7	271.8	351.0	437.4	528.4	620.0	714.2	809.3	905.3	1002.2	1100.0	1198.6	1298.2	1398.6	1499.9
Net cumulative position	0.0	4.2	12.6	31.7	60.7	98.7	144.4	196.9	255.0	317.9	299.2	291.0	288.0	295.3	307.2	325.0	347.3	375.0	407.2	444.3	485.6

Endnotes

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Other reports related to this project include:

- **Practical ‘how-to’ documents:**

- *A guide to co-producing children's services*
- *A guide to measuring children's well-being*
- *A guide to commissioning children's services for better outcomes*

- **SROI Assessment Reports for three Action for Children services:**

- *The economic and social return of Action for Children's East Dunbartonshire Family Service*
- *The economic and social return of Action for Children's Family Intervention Team / 5+ Project, Caerphilly*
- *The economic and social return of Action for Children's Wheatley Sure Start Children's Centre, Doncaster*

- **Report on the citizens' juries, including information on the process and conclusions:**

- *How can government act to increase the well-being and happiness of children and young people in the UK? A report on two citizens' juries*

All available at www.neweconomics.org and www.actionforchildren.org.uk

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