Resource 1:
Estimating worklessness rates of people with mental health problems

[Courtesy of TriNova Consultancy]

Step One:
Obtain latest, mid-year (working age) population estimates for the county / area from the Office for National Statistics.

Step Two:
Identify national prevalence rates for people with mental health problems from Psychiatric Morbidity Survey 2000 (Singleton et al., 2001). This survey reports that:

- The prevalence rate for neurotic disorders is 164 per 1000 of the general population. This equates to about 1 in 6 of all adults having common mental health problems at any one time.
- The prevalence rate for probable psychosis and severe affective disorders is 5 per 1,000 of the population. This equates to 1 in 200 of the general population having some kind of psychotic illness in the past year.
- About 1 in 25 individuals have a personality disorder.

Step Three:
Estimate the prevalence of mental health problems in the county / area.

By using the Psychiatric Morbidity Survey national prevalence rates and the ONS mid-year population estimates, we can generate estimates for the numbers of people with neurotic, psychotic and personality disorders of working age across the county (see Table 2 for an example).

Table 2: Estimates of working age population with mental health problems in East Sussex

Working age population ('000s)	Individuals with neurotic disorders (at any one time)	Individuals with psychotic disorders (in past year)	Individuals with personality disorders
	= Working age / 6	= Working age / 200	= 4% of Working age
276,700	46,116	1,385	11,068

Note: It should be noted that these are likely to be underestimates as they are based upon prevalence rates from the Psychiatric Morbidity Survey which only examines adults living in private households, and not those in residential accommodation. They may also not take into account economic and social deprivation levels in some localities which will be associated with higher prevalence rates for mental ill health.

Step Four:

Estimate worklessness among people with psychotic illness.

Using national worklessness rates of 89% for people with severe mental health problems reported in the Spring 2005 Labour Force Survey (cited in Reaching Out: An action plan on social exclusion, Social Exclusion Task Force, 2006), we can make estimates of worklessness for individuals with psychotic illness in the local population.

These estimates are necessarily crude as there is not an exact correspondence between 'severe mental health problems' and 'psychotic disorders'.

Step Five:

Estimate worklessness among people with neurotic illness

We know that many of this much larger population will also be workless. However, we cannot extrapolate the Labour Force Survey Spring 2005 (ONS, 2005) national worklessness rate to this group in the same way, as we do not know how many of these individuals have severe or long term mental health problems.

We do know, however, that common mental health problems can have a major impact on people's lives. About half of people with common mental health problems are still affected 18 months after onset, and could therefore be considered to have long term mental health problems (Singleton & Lewis, 2003). Analysis of the Psychiatric Morbidity Survey 1993 (Department of Health, Scottish Home & Health Department and Welsh Office, 1996) data has suggested that about half of people with common mental health problems are limited by their condition and about a fifth are disabled by it.

Individuals with neurotic disorders are also far more likely to be classified as economically inactive (out of the labour pool) than the general population. 39% of this group are economically inactive compared to 28% of the general population (Singleton et al., 2001).

It is, however, possible to generate estimates for worklessness if we make some very rough assumptions on worklessness rates for this population (see Table 4 for an example).

Table 4: Estimates of worklessness among people with neurotic illness in East Sussex

Individuals with neurotic disorders	**Assuming a 5% worklessness rate**	**Assuming a 10% worklessness rate**
46,116	2,306	4,612

Table 4 demonstrates that if this population has only a 5% or 10% rate of worklessness, then this equates to quite significant numbers who may have need of specialist vocational services of some kind. In reality, it is likely that the worklessness rate for this group will be much higher.

Resource 2:
Template for comparing investment against population distribution across localities

	Population		Current Services Expenditure		
	Number	%		Funder	£
Locality 1	**51,900**	**19 %**	Service A	LA	106,000
			Service B	LA ESF	228,000
			Service C	PCT LA	119,000
			Service D	LA	26,000
			Service E	PCT	43,000
					522,000
					= 37%
Locality 2	**39,693**	**14 %**	Service F	PCT	80,000
			Service G	PCT NRF	194,000
			Service H	LA	12,000
			Service J	PCT	29,000
					315,000
					= 22%
Locality 3	**38,907**	**14 %**	Service K	PCT	119,000
			Service L	LA	5,000
			Service M	PCT	6,000
					130,000
					=9%
Locality 4	**21,279**	**8 %**	Service N	LA	48,000
			Service O		10,000
					58,000
					= 4%
Locality 5	**30,621**	**11 %**	Service P	PCT	10,000
			Service Q	PCT	12,500
					22,500
					= 2%
Locality 6	**94,300**	**34 %**	Service R	LA	121,000
			Service S	ESF	14,000
			Service T	PCT	2,000
			Service U	LA	229,000
					366,000
					= 26%
	276,700	**100 %**		**Grand Total:**	**1,413,500**

[This template is also available as a spreadsheet from our website at www.scmh.org.uk.]

This template provides a breakdown of current expenditure on day and vocational services in the six localities of a county in England. It can be seen that a total of £1,413,500 is being spent on Services A-U.

Column 3 shows the percentage of the current population resident in each of the six localities. The percentage figures in column six shows the proportion of current investment in each of the six localities.

Comparison of the figures for each locality will reveal any over or under investment according to geographic locality. For example in this template, there is clearly over investment in localities 1 and 2, and under investment in localities 3, 4, 5, and 6.

This kind of analysis may allow commissioners to address disproportionate investment, although other factors (e.g. levels of deprivation or need), based on local knowledge of the area will also need to be taken into account in planning investment.

Resource 3:
Conducting an options appraisal

1. Development options

Option 1 – Stay the same:

This option means the continued provision of the current service by the current provider, as it is currently delivering in line with the new specifications.

Option 2 – Negotiate with current provider to adapt service:

This option would be selected when the current service is not meeting the new specifications, but the appraisal process suggests the service could be easily adapted to meet the new specifications, with minimal disruption and investment and definitely within less than a year.

Option 3 – Independent social firm:

This option would be selected where it was felt that a service providing goods and services but operating within the aegis of a public authority would best meet the service specification through 'externalisation' to create an independent, standalone social firm, i.e. a small business trading as a limited company or co-operative with a social mission.

Option 4 – Tender process to identify new provider:

This option would be selected where the current service is not meeting the new service specifications, and the appraisal process suggests it could not realistically be adapted to do so. This may be for a number of reasons, one of which may be that the current provider is unwilling or feels unable to provide an adapted service. A tender process would then be utilised to identify a new service provider to deliver the new service specifications. The old service is de-commissioned. It may be that the new service provider will be required under contract to deliver some elements of the old service – thus ensuring that commissioners do not lose existing high quality programmes, local knowledge and connections, and support services for current service users. It may also be that the new service provider will be required under the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations to employ staff members from the old services.

Option 5 – De-commissioning:

This option would be selected where the options appraisal has identified that neither adaptation nor a tendering process would be the best option for delivering the new specifications. It enables the release of resources for reinvestment elsewhere.

2. Creating a decision grid

Table 5 shows a specimen decision grid that has been used to assess how closely an existing service matches a planned new service and what scope there may be for it to deliver the new service. In the example here, the new service is a 'Resource Hub' – offering social contact and support in a safe environment, but with a much stronger emphasis on helping individuals to participate in mainstream activities in integrated settings than you would find in a traditional day centre.

The first column shows the benefits criteria – the key benefits that the new service is expected to deliver. These have been extracted from the service specification for the new service and are weighted according to their relative importance, as decided by the steering group, in the second column.

The other columns show possible development options available within the re-commissioning process. Option 1 involves awarding the contract to the provider of the existing service as there is a close match between the existing and new services. Option 2 involves adapting the existing service so as to provide the new service – the contract for the new service is awarded to the existing provider subject to negotiation. Option 3 suggests that there is a very poor fit between the existing and new services. A tender process is needed to identify a new provider or if the service is to be de-commissioned.

Those involved in the appraisal will consider how each of the three options is likely to realise the benefits criteria. Each benefit criterion is considered separately. The more likely an option is to achieve the benefit, the higher it is scored. The option that has the highest total score (for all benefits) will be the favoured option for implementation. The way the scores are worked out is shown in Step 3.

Table 5: Options appraisal decision grid

		Option 1 Excellent fit between Service X and new service spec Award new contract to current provider		**Option 2** Reasonable fit between Service X and new service spec Award new contract to current provider subject to changes		**Option 3** Very poor fit between Service X and new service spec To realise benefits need to consider other providers through tender process, or de-commissioning	
Benefits criteria	**Weight**	Score	S x W	Score	S x W	Score	S x W
A service offering a safe space to support people of all types or levels of need	30	0	0	0	0	5	150
A service offering good choice of groups, activities and courses in both centre and mainstream settings	25	4	100	4	100	6	150
A service promoting effective pathways to mainstream activities, education, training, volunteering and jobs	25	3	75	4	100	3	75
A service promoting user involvement / partnership in running services	5	2	10	2	10	7	35
A service offering value for money	5	1	5	1	5	1	5
A service effective at attracting supplementary funding	5	1	5	2	10	1	5
Total	**95**		**195**		**225**		**420**

The sample score table shows that the preferred option for this service was Option 3. None of the other options had the potential to realise the key benefits criteria for the new service required.

3. Stages in the appraisal process

It is crucial that service users are involved in all stages of the appraisal: agreeing the key criteria for assessing services (the ‘benefits criteria’), weighting them and scoring anticipated outcomes for each option.

Identifying benefits criteria: Criteria could be based on the aims, objectives and core principles of the re-commissioning project. They could also be informed by the newly developed service specifications, in particular the outcomes section. Criteria such as ease of access to services, acceptability to local users, involvement of service users, and compatibility with national guidance may be common candidates for inclusion. The criteria need to be agreed by all members of the steering group, so that all perspectives inform the appraisal.

Ranking benefits criteria: Benefit criteria are then ranked in importance and weighted appropriately. For example, if ease of access is regarded as the most important criterion, this might be given 40% of scoring. If meeting national priorities is regarded as having equal importance as involving service users, both will receive the same percentage, say 15%. Again, these weightings of benefits criteria need to be agreed by all members of the steering group and will vary according to local circumstances.

The right template: Each service will be appraised against the particular benefits that reflect the type of service that is required. For example, a service currently offering employment advice would only be appraised against the benefits criteria and options relating to new employment services.

Scoring options: Each option is given a score based on how likely it is to achieve that benefit. An option which would bring high levels of user involvement might score 9 (out of 10) for that benefit, but only score 3 on another. To arrive at a final total score for each option, the benefit score is multiplied by the weighting value, and the scores are added up: e.g. if an option scores 5 out of 10 for a criterion with a weighting of 15% its score for that will be (5x15) = 75.

4. Example benefits criteria for an employment service

This list illustrates a set of benefits that would be expected of an employment service:

- Effective in helping people get the jobs they want;
- Effective in helping people take steps towards employment (e.g. education, training, work experience);
- Effective in helping people keep and maintain their jobs by providing ongoing support;
- Offers rapid job search and placement;
- Is closely integrated with clinical teams and day services;
- Offers high quality benefits advice;
- Offers support to people according to their desire to work;

- Good access across locality;
- Attracts supplementary funding;
- Good value for money.

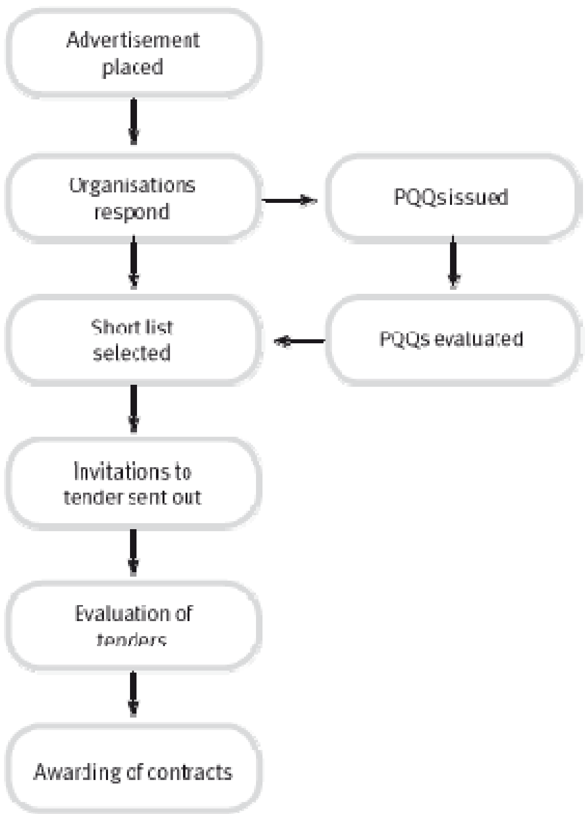
Note: These benefit criteria would need to be assigned a weighting according to the relative importance placed on each. Weightings will vary according to the perspectives of members of the steering group. However, it is important to take account of the research evidence relating to the individual placement and support approach; for example, an overly high weighting given to pre-job training over actual on the job support may result in selecting services which are unlikely to deliver employment outcomes as they would not be delivering support in line with evidence-based practice.

Resource 4:
The pre-qualification process

Prior to the tender process, commissioners will seek to assess an organisation's capacity to meet future requirements for products or services. They will do this by asking them to supply information about their capabilities and resources. This information will then be used by commissioners to assess the organisation against pre-agreed criteria. The document that asks organisations to supply information about their capabilities and resources is called a business questionnaire (BQ) or pre-qualification questionnaire (PQQ).

Figure 2 shows how this pre-qualification stage fits within the broader tender process.

Figure 2: How the pre-qualification stage fits within the tender process



The pre-qualification questionnaire (PQQ)

When commissioners are evaluating an agency's suitability to tender, they will consider a wide range of information about the agency. The intention of the pre-qualification questionnaire (PQQ) is to gather all necessary information while at the same time not imposing too great a burden on those interested in submitting a tender. The areas in which the PQQ seeks information will likely include the following:

General profile: Background information about the agency, what type of organisation they are, details of any parent company and management structure.

Financial profile: Sufficient information to be sure that the organisation has the financial resources to undertake the required work, and the long term stability to be able to complete the contract satisfactorily.

Technical & professional capacity, infrastructure and resources: Information regarding the organisation's procedures for ensuring suitability and competence, and details of any problems the supplier has had on previous contracts. There are likely to be reasonable explanations for these and it is better that candidates are candid in answering questions on these issues, rather than having to justify these difficulties at a later stage.

The PQQ will also request information on other contracts undertaken over the past three years, as commissioners will want to know if the organisation has previously completed similar contracts to a good standard.

Quality management: Commissioners will want to ascertain whether possible suppliers have adequate quality management systems in place. Potential suppliers may respond to this by describing how their services are formally checked against a recognised standard (benchmarked), or by giving a detailed description of how they ensure their operations are routinely conducted to a high standard.

Equality & diversity: As public authorities have a duty to ensure that all members of the community are treated fairly and equally, commissioners will wish to know that a potential supplier accepts its legal duties in this area, and takes them seriously.

Health & safety: Commissioners will want to ensure that potential suppliers are aware of their legal responsibilities regarding the health and safety of their workforce and any other individuals involved in their operations. The PQQ will therefore ask suppliers to provide information about their health and safety policies and procedures.

Environment & sustainability: The PQQ will also allow commissioners to gather information about potential suppliers' policies and practices in relation to minimising any harmful effects of their work on the environment.

Resource 5:
Key features in the externalisation of social firms

Developing an action plan

An action plan for the transfer of a social firm from public authority control to independent status should include details of all of the following:

- Application to the NHS or local authority pensions agency;
- Consulting staff on the changes;
- Consulting service users on the changes;
- Establishing a limited company;
- Setting up a bank account, payroll etc.;
- Establishing company directors;
- Agreeing a start-up date;
- Setting a TUPE transfer date;
- Agreeing the contractual arrangements with commissioners and setting targets against the service level agreement.

The action plan should also specify when these tasks will be completed by and who is responsible for undertaking them.

Externalisation as part of wider change process

It is often extremely difficult to make these types of changes in isolation. Making single service changes as part of an over-arching review or re-commissioning process facilitates each part of the externalisation process. The service is then part of a much larger business case for change and there is a climate of acceptance among stakeholders that change is required. There is also clear evidence and a business plan demonstrating that externalisation is the most effective way forward.

There is also the scope to negotiate with local commissioners for that vital service level agreement, as they are reviewing all contracts and looking for alternative, cost-effective and innovative providers.

Specialist expertise

Specialist expertise and guidance is required:

- To ensure that the existing service is sufficiently viable to be able to develop independently as a social firm.

- To support the actual process of moving to independence. This will be quite distinct from the other service developments and transfers taking place within the re-commissioning process. It could easily be lost or forgotten within this wider complex change process.

Challenges

There are number of challenges which are likely to be faced in the process of moving a service out of a public body.

It is often hard to gain a realistic understanding of the differences between financial performance within the NHS or local authority and as an independent company. This can make it difficult to assess the potential viability of the firm prior to externalisation. Thorough market testing and scrutiny of business performance is therefore needed.

If access to the NHS or local authority pension scheme is denied for the new limited company – what is known as ‘being given Direction Status’ – this may bring the externalisation process to a halt. There will need to be ongoing dialogue with relevant pensions schemes to ensure there is clear understanding of what is taking place, the security offered by local commissioning, the need to protect the employment terms and conditions of current staff, and the established track record of the enterprise whilst operated by the public authority.

The Social Firms UK publication, Bringing social firms out of public authority control, (Social Firms UK, 2006), gives detailed checklists and further guidance on moving social firms out of NHS trusts or local authorities.