

# **BUILDING LIVELIHOODS AND STRENGTHENING COMMUNITIES IN WALES**

## **Value Analysis: Report**

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### **Introduction**

Oxfam Cymru's Building Livelihoods and Strengthening Communities in Wales project, or the Livelihoods project for short, began in September 2012 and ran to the end of February 2016. Its aim, in common with the aim of Oxfam in general, was to help overcome the causes of poverty and suffering, to be achieved by: developing projects to improve the lives of people in poverty; raising public awareness of poverty to create pressure for change; and working with policymakers to tackle the causes of poverty.<sup>1</sup>

In order to achieve this aim, the Livelihoods project utilised Oxfam's unique Sustainable Livelihoods Approach, or SLA. An approach to livelihoods development first used in Oxfam's work in the Global South, the SLA works on the following key principles:

- People centred – the approach supports people to achieve their own sustainable livelihoods; goals are set by participants, not workers.
- Holistic – the approach recognises the multiple influences, actors and strategies constituting people's livelihoods; the solutions it offers are not limited to just financial aspects or one particular type of help.
- Dynamic – the approach seeks to identify and support patterns of positive change: it prescribes no set programme, instead following each participant's individual needs.
- Reinforcing – the approach builds on the assets that people already have and recognises everyone's inherent potential; it assumes nothing, and that nothing is impossible.
- Sustainable – the approach is economically, environmentally and socially focused; the support it provides is intensive when needed, less so when not; beneficiaries can dip in and out as required and be supported at different intensity levels at different points.
- Transformative – the approach seeks to bridge the gap between the macro and the micro, between individuals and organisations and the policies and institutions that affect them, providing a pathway for wider economic and social development for all.

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<sup>1</sup> See 'Building Livelihoods & Strengthening Communities in Wales: Project Plan 2012 – 2015' (Oxfam GB), p.5.

With the help of its bespoke SLA Toolkit for Wales, the Livelihoods project embodied these principle in the activities it offered throughout its three-and-a-half year lifetime, either on a one-to-one basis with participants or in a group setting. The support it provided to marginalised people fell under five main headings:

- Intensive personal support to individual project participants on an ongoing basis – this included emotional support and handholding (accompanying the participant to meetings or groups), as well as practical support around livelihoods-related issues such as work, finances, mental or physical wellbeing and so on.
- Providing other support, such as signposting, information, training or help with a specific one-off problem, to participants with less intensive needs.
- Providing training and support for project participants to become peer mentors and community advocates in their local areas.
- Providing training and support for community structures and service providers to increase their understanding of, and ability to meet the needs of, marginalised people in their communities.
- Providing evidence-based monitoring, evaluation and learning for use by Oxfam, project partners and anyone interested in tackling the wider causes of poverty in Wales.

The project was delivered in partnership with other voluntary organisations, rather than directly by Oxfam itself. The nine partners across Wales for the project, and the main groups they worked with, were as follows:

- African Community Centre, Swansea (refugees and asylum-seekers);
- Caia Park Partnership, Wrexham (people with physical and/or learning disabilities);
- Denbighshire Voluntary Services Council & The Foryd Centre, Rhyl (older people 50+);
- DOVE Workshop, Banwen, Neath (geographically isolated and long-term unemployed people);
- Duffryn Community Link, Newport (young families, single parents and those with mental or physical health issues);
- Glyncoch Community Regeneration, Pontypridd (families with primary school-age children);
- South Riverside Community Development Centre, Cardiff (people from black and minority ethnic [BME] communities, refugees and asylum seekers);
- Sylfaen Cymunedol Cyfyngedig, Caernarfon (young people not in education, employment or training [NEETS]);
- The Wallich Clifford Community, Ebbw Vale (people homeless or at risk of homelessness).<sup>2</sup>

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<sup>2</sup> While each project had certain communities of interest it mainly worked with as detailed above, its Livelihoods services were not restricted to members of these groups, and open to all residents in the area of

A final external evaluation report from Arad Research outlines the general achievements of the project over its lifetime, and provides detailed statistics relating to the project's outputs and outcomes, as well as extensive qualitative feedback from participants and project workers outlining its methods, successes, challenges and learning points.<sup>3</sup>

This report, by contrast, assesses the project in one very specific respect only: the amount of value it has generated, or will generate, as a result of the activities it pursued during its lifetime. Wherever possible, this report seeks to avoid duplicating content from the general evaluation report, however, where necessary, some information is repeated in order to provide the necessary context for this report to be able to be read as a standalone document.

## Context

The Livelihoods project took place in nine of the most deprived communities in Wales, and achieved the following headline results, as detailed in its external final evaluation:

**Figure 1: Livelihoods project key outputs and outcomes**

Project activity/outcome indicator	Number achieved
Beneficiaries receiving intensive support	494
Beneficiaries receiving other support	629
Peer mentors trained and supported	109
Community structures receiving support	89
Service providers trained	71
Organisations reporting a higher understanding of, or ability to meet, the needs of marginalised people	111
Number of organisations who can cite at least one change to their service and attribute it to this project	58
Participants reporting new skills and confidence	636
Participants involved in greater numbers of community activities	648
Participants accessing more or better services	489
Number of participants who have measurably improved their livelihood	306

benefit of each partner project.

<sup>3</sup> See <http://www.oxfam.org.uk/cymru> or contact Arad Research at <http://www.aradconsulting.co.uk> / 029 2044 0552 or Oxfam Cymru at [oxfamcymru@oxfam.org.uk](mailto:oxfamcymru@oxfam.org.uk) / 0300 200 1269 or for a copy of this report.

These outcomes were achieved despite large numbers of project participants lacking the kind of traditional means of improving a livelihood that non-marginalised people would take for granted. For example, a large number of participants were asylum seekers; asylum seekers are not allowed to take up employment or start a business. Over a third of participants had a disability, or many others had unpaid caring roles which effectively shut them out of the labour market in their local area. More broadly, the heavily oversubscribed nature of the project – the project's original target number for beneficiaries over its lifetime was less than two-thirds of the final total achieved – hints at the wider context within which the project's value should be set.

There were three particular threats identified in the original analysis for the project, and all related to this context in one way or another:

- Partner organisations' financial sustainability in very challenging times.
- Reform in welfare legislation.
- Low number of jobs available due to a weak economy.<sup>4</sup>

The first threat had already materialised at the very start of the project, with one partner having to take the decision to wind itself down as another of its projects lost funding. While a new and financially sustainable partner was found relatively quickly, leading to only a short delay in delivering the project in that area, these problems were indicative of the poor financial climate the project operated in throughout its lifetime.

Similarly, in relation to the second and third threats identified above, it was of course not the project's role to measure the socio-economic progress or otherwise of the areas it works in, nor to pass judgement on the effects of welfare reform on the people it worked with. Nevertheless, like the canary in the mine, because of the work it did, and the breadth it did it in, the project inevitably amplified up what was happening on the ground, and the voices that came through the project spoke mostly of things around them getting worse rather than better, as the following list of quotes from just one focus group of participants for the project's mid-term evaluation showed:

- *"[The] council offices are now only opened once a week."*
- *"With the cuts, more services for the elderly are being closed."*
- *"Council houses are damp and in disrepair. Tenants report what needs doing to their houses and flats but have to wait months or longer for it to be fixed. Sometimes things don't get fixed at all."*
- *"The local free school bus was stopped and then the prices of the buses were raised so parents have found it a struggle to pay for this extra cost."*
- *"The council are going take away concessionary passes from older people. This will mean they could become isolated as many of them rely on their bus pass and can't afford to pay for travel from their pensions."*
- *"[A]nything that isn't mandatory has been scrapped by the local council due to budget cuts."*
- *"I think the reason things are worse in general is because there is just no money in the area."<sup>5</sup>*

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<sup>4</sup> Building Livelihoods & Strengthening Communities in Wales: Project Plan 2012 – 2015' (Oxfam GB), p.32.

<sup>5</sup> See Building Livelihoods & Strengthening Communities in Wales: Mid Term Evaluation Report (Oxfam GB),

Case studies, of which the project generated almost 200 in its lifetime, likewise exposed many contextual changes for the project and its participants. Almost exclusively, these were changes for the worse. From struggles with heating and energy costs, or the growth of zero hours contracts, to the effects of the bedroom tax and other welfare changes, as well as the problems of sanctioning leading to destitution and the massive rise in foodbank use, it was clear that things were generally getting worse, not better. This had a direct impact on the project, as workers saw increases in demand for the project's services as a result, for example, as cuts to library services led to many more people coming to Livelihoods projects in need of help to access the internet to do their job searches.

Despite all of this, however, it was also clear from the project evidence that not quite everything, everywhere was getting worse. In one South Wales project area, for example, participants saw things more positively. As one put it, *'[t]here are more opportunities – they are there if you want them'*.<sup>6</sup> Or as another participant from the same area commented, *'[w]e got a new community centre that has encouraged more people to come. They are offering more courses now, though people need to be supported intensively to come to those courses'*.<sup>7</sup> Indeed, one North Wales participant neatly encapsulated how things could get both better and worse at the same time:

*'Some services are worse because of cutbacks but some services are getting better too. I volunteer with [one] where we deal with substance abuse and homelessness. The services offered there continue to get better and include counselling, hot meals, needle exchange, social services, showers and lots of other help. We have also set up a support group.'*<sup>8</sup>

Perhaps the most closely relevant comment of all though, in terms of the context for the Livelihoods project, was made by another North Wales participant. As they observed, *'[a]lthough services are worse in a lot of ways I feel that I can access them a lot better than before because of the help I have'*. Or, as another participant put it, *'for me, services are better because I have more support to deal with the technicalities and difficulties of dealing with service providers'*.<sup>9</sup> In other words, service provision was a two-way street – the success of a service depended not just on what it could, or could not, offer, but also on what assets the participant had with which to access and make use of it.

So, while the context for the Livelihoods project undoubtedly formed one of the main challenges to it during its lifetime, the project itself, and the outcomes it was trying to achieve by working with both individuals and organisations, simultaneously formed a challenge back to that very context. As a result, even in the circumstances it was operating in, it was still possible for the project, and its participants and workers, to create value.

Whatever the *prima facie* achievements of the project noted in the table above, however, in order to put these achievements in context, it is necessary to go a stage further beyond the outcomes of the project, and quantify the actual value that those outcomes were or will be able to demonstrate. The cost of the Livelihoods project was just over £1.1 million over its

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p.5.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid, pp.5-6.

<sup>9</sup> Ibid, p.6.

3.5 year lifetime in terms of input costs. Without translating its outcomes into a format which would allow comparability within a wider context, such as that of other projects or approaches for improving the livelihoods of marginalised people, the case for the effectiveness of the Livelihoods project, and the Sustainable Livelihoods Approach, would be no further advanced than at the project's outset.

In relation to that wider context, the most widely understood framework for establishing something's comparable value is of course in notional pounds and pence. Oscar Wilde had a character in one of his plays complain as early as the late 19<sup>th</sup> Century about people who knew "*the price of everything and the value of nothing*".<sup>10</sup> Unless a project, or an approach, can demonstrate its value, it will always risk being judged not on the quality of its outcomes, but instead on the one number that can be attached much more easily to just about any project: its price. It is within this final, very specific context that this value analysis takes place.

## Methodology

Value analysis comprises three different types of value: fiscal, economic and social. When combined, these three types of value allow the overall value of a project, including its cost/benefit ratios and Social Return on Investment, to be assessed.

- Fiscal value derives from savings that would ordinarily accrue to the state. For example, 94 participants on the Livelihoods project who had previously been claiming out-of-work benefits gained employment as a result of their involvement with the project. Those participants therefore no longer required the same level of state financial support as they had previously been getting, as those benefits were replaced by wages, or by wages plus in work benefits (such as Working Tax Credit), which represented an overall fiscal saving.
- Economic value is created by savings or benefits that, though they do not accrue to the state because they result from things the state would not ordinarily be paying for, are nonetheless still of clear economic benefit. Volunteering, and the activities of volunteers, is a good example of this. Other examples might include the additional taxes paid by participants who had increased their incomes with the help of the project.
- Social value comprises the wider savings to the individual and society, particularly in terms of what it would cost society to provide the same outcome for that individual simply by increasing their income alone. Social value draws in particular on a technique known as the Wellbeing Valuation Approach, which takes large sample datasets, such as the British Household Panel Survey, or the Crime Survey for England and Wales, and uses them to calculate the effect of a particular outcome, be it gaining employment, regular volunteering or a general increase in confidence, on a person's wellbeing. This allows previously unmeasurable value to be quantified in a consistent manner, based on individuals' actual reported experience.<sup>11</sup>

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<sup>10</sup> O. Wilde, *Lady Windermere's Fan* (Methuen, 1917; first published London, 1893), Act III, Scene I, available at <http://www.gutenberg.org/files/790/790-0.txt> [accessed April 2016].

<sup>11</sup> For further information on the Wellbeing Valuation Approach, see L. Trotter et al, 'Measuring the Social Impact of Community Investment: A Guide to using the Wellbeing Valuation Approach' (HACT, 2014),

In talking about these three types of value, the above definitions draw heavily upon the work of two organisations in particular. The first is the Treasury-led New Economy project, and its unit cost database. The project, which draws together more than 600 unit cost estimates that can be used to calculate the benefits of delivering proactive services and the potential savings in reactive costs that can be achieved, draws together the work of a number of different UK government departments, particularly in relation to fiscal and economic value.<sup>12</sup> The second is the HACT (Housing Associations Charitable Trust) Social Value Bank, created by HACT with the former Cabinet Office senior economist and head of cost-benefit analysis at the Department for Work and Pensions, Daniel Fujiwara (now at the London School of Economics). The Social Value Bank is the source of the social value element of this value analysis report, and therefore indirectly its use of the Wellbeing Valuation Approach noted above.<sup>13</sup>

In terms of general principles, this report also draws upon the work of Social Value UK, particularly insofar as it follows the cardinal rule the organisation shares with HACT and the Social Value Bank. In the words of its guidance, that rule runs as follows:

*“Do not over-claim: only claim the value that organisations are responsible for creating. This principle requires reference to trends and benchmarks to help assess the change caused by the activity, as opposed to other factors, and to take account of what would have happened anyway. It also requires consideration of the contribution of other people or organisations to the reported outcomes in order to match the contributions to the outcomes.”<sup>14</sup>*

Or as HACT themselves put it in their guidance for using the Social Value Bank:

*“Particular care should be taken not to overclaim. The framework includes the option to apply an average measure of deadweight, i.e. the people whose wellbeing would have improved even without your activity, but you should take care not to inflate or overestimate your impact.”<sup>15</sup>*

In the spirit of only claiming for the project the value that the project itself has been responsible for creating, this value analysis therefore applies the following qualifiers to the initial values derived from the sources outlined above, in order to arrive at its final values:

- Deadweight – or what the participant would have achieved by themselves, left to their own devices. In accordance with the principle of not overclaiming, this value analysis applied a minimum deadweight of minus 25% to all outcomes, meaning only a maximum attribution factor of 0.75, or 75%, could be applied to any given beneficiary, which was then reduced further by anything up to minus 100% depending on the case history of each participant.

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particularly pp.10-13.

<sup>12</sup> For further information on the New Economy Unit Cost Database, see

<http://neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/unit-cost-database> [accessed April 2014].

<sup>13</sup> See <http://www.hact.org.uk/social-value-bank> for further information on the HACT Social Value Bank [accessed April 2014].

<sup>14</sup> J. Nicholls et al, 'A Guide to Social Return on Investment (The SROI Network, 2012), p.97.

<sup>15</sup> Trotter et al, p.18.

- Discounting – another set percentage applied to all outcomes, discounting takes into account the preference for value now (for example, in the form of the money invested in the programme) versus value (be it fiscal, economic or social) received in one or more years' time. The standard Treasury Green Book rate of minus 3.5% per year or part year subsequent to the first year has been applied to all outcomes in this value analysis.<sup>16</sup>
- Dropoff – another set percentage, this is applied to all outcomes lasting more than one year, in order to account for the way an outcome becomes less valuable over time. For example, if a beneficiary of the project went on a training course and increased their confidence as a result, the effect of that confidence boost would be greater three months after the course than it would be two or three years down the line. In line with Cabinet Office guidance, a dropoff rate of minus 10% per year or part year subsequent to the first year was applied to all outcomes in this value analysis.<sup>17</sup>
- Attribution – related to deadweight, this factor allows for the role of other organisations to be included in an assessment of outcome value. While there were relatively few instances where a participant's outcomes were wholly ascribable to a combination of their own efforts and the efforts of another organisation outside of the Livelihoods project, in those more common instances where another organisation or project did play a supporting but significant role, a factor of anything up to minus 50% was taken off the base attribution factor to take into account this external contribution.
- Duration – the average length of each participant's outcome(s) as recorded in the project's ongoing monitoring; while the standard maximum timeframe in most cost-benefit analyses or social return on investment studies is five years, this study applies a lower one, as 3.5 years is the maximum length of time for which its outcomes evidence is available, with the average length of a given outcome for the project as a whole at 3.23 years.<sup>18</sup>
- Substitution – substitution is a qualifier applied to finite goods, in other words, those outcomes where one person gaining them may result in another person losing them. While most of the outcomes generated by the project did not fall under this category, for those participants gaining employment, and therefore potentially displacing another job applicant from employment in doing so, a standard substitution range of either minus 10% or minus 20% was applied, depending on the nature of the employment gained.<sup>19</sup>

<sup>16</sup> 'The Green Book: Appraisal and Evaluation in Central Government' (HM Treasury, 2011), p.26.

<sup>17</sup> See A. Berry and C. Holden, 'Final Evaluation of the Family Employment Initiative' (Ekosgen/Coalfields Regeneration Trust, 2011), p.20.

<sup>18</sup> Where only incomplete information regarding duration of benefit is available, either because the benefit had not yet been lost by the project's end or because the participant left the project, the total duration for each project has been applied (3.5 years in the case of all projects but the Wallich, plus 3.2 years for the Wallich, which as a replacement project started slightly later than the other eight partner projects).

<sup>19</sup> D. Greenberg et al, 'Improving DWP assessment of the relative costs and benefits of employment programmes' (DWP Working Paper No. 100; Policy Studies Institute on behalf of the Department for Work and Pensions, 2011), p.1. Note that substitution rates can vary widely, depending on the local labour market and the nature of the intervention affecting it (see, for example the tables on pp.16-17 of the Greenberg paper),

In relation to methodology, it is also important to note that the references to the value created by the project that follow are references to the notional cost savings or other value generated by the project, rather than to actual cash savings or already accrued economic or social value. This is because in terms of cashability, change has to happen at a certain scale for it to translate into actual monetary savings. As noted earlier, while increasing employment was not a specific stated outcome of the Livelihoods project, 94 participants on the project nevertheless got jobs as a result of their involvement with it. However, this would not be enough change to allow the DWP to shut down one of its job centres, let alone make significant cost savings across the nine partner areas – partly for this reason, the DWP has now commissioned a further project with Oxfam Cymru, which seeks to embed the Sustainable Livelihoods Approach more widely among its staff across Wales and look at what its benefits might be if applied on a larger scale.

More broadly, no external organisation, least of all one with the resources of even a larger voluntary sector organisation such as Oxfam, can ever be in a position to calculate the exact effect a particular change will have upon another organisation's budgets; therefore any assessment of value created can only be an estimate based on average unit costs, be it in relation to input and opportunity value foregone or output and outcome value created. Ultimately, if a statutory organisation wants to know exactly what a separate voluntary sector project has saved them, that is something it will have to work out for itself, and even then, as the Treasury's own guidance observes, *"it is important to note that the estimation of cashable savings is imprecise: estimates of what is cashable will be approximate and based on negotiations between commissioners and providers rather than solely on a formula or calculation. Cost-benefit analysis, therefore, informs discussions around how far benefits are cashable; it is not a substitute for negotiation"*.<sup>20</sup>

With these caveats in place, the value analysis that follows is an assessment of the value created by the Livelihoods project based on the individual case histories of each of the project's participants. As well as an assessment of the nine-partner project as a whole, figures are provided for each of the individual partner projects.

## Results

The following table details the project by project results of the value analysis of the Livelihoods project:

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hence that paper's suggestion that value analyses may instead simply caution the reader about the existence of possible substitution effects in relation to supply side programmes (such as the Livelihoods project) or include it as part of the sensitivity analysis – see p.21 of the Greenberg paper for further discussion of this. In order to err on the side of caution, however, and avoid any potential for overclaiming, this value analysis includes the substitution qualifiers outlined above in instances where participants have gained employment as a result of the project. (My thanks to Jeremy Nicholls at Social Value UK for drawing my attention to this source.)

<sup>20</sup> 'Supporting public service transformation: cost benefit analysis guidance for local partnerships' (HM Treasury / New Economy / Public Service Transformation Network, 2014), p.17.

**Figure 2: Value analysis (fiscal / economic / social) - statistical breakdown by project:**

<b>PROJECT</b>	<b>COST PER PROJECT (INPUT AND OPPORTUNITY COSTS)</b>	<b>AVERAGE UNIT COST PER PARTICIPANT (INPUT AND OPPORTUNITY COSTS)</b>	<b>AVERAGE NUMBER OF YEARS BENEFIT</b>	<b>AVERAGE ATTRIBUTION RATE (INCLUDING DEADWEIGHT &amp; SUBSTITUTION)</b>	<b>GROSS FISCAL VALUE (AFTER DISCOUNTING, DROPOFF &amp; DEADWEIGHT / SUBSTITUTION / ATTRIBUTION)</b>	<b>GROSS ECONOMIC VALUE</b>	<b>GROSS SOCIAL VALUE</b>	<b>GROSS COMBINED FISCAL / ECONOMIC / SOCIAL VALUE</b>	<b>NET COMBINED FISCAL / ECONOMIC / SOCIAL VALUE</b>	<b>VALUE RATIO (PER £ INVESTED)</b>
<b>ACC</b>	141663.56	1935.56	3.31	0.56	45081.80	87838.78	345324.91	478245.49	336581.93	3.38
<b>Caia Park</b>	136929.96	2139.53	3.19	0.55	74179.68	69945.64	670206.87	814332.19	677402.23	5.95
<b>DOVE</b>	140539.08	1579.09	3.47	0.53	7774.19	30142.59	594752.74	632669.52	492130.44	4.50
<b>Duffryn</b>	142361.00	1187.98	3.21	0.52	573995.37	51149.93	291267.66	916412.96	774051.96	6.44
<b>DVSC</b>	134571.88	1818.54	3.03	0.50	87632.49	69957.44	397642.83	555232.76	420660.88	4.13
<b>Glyncoch</b>	143468.68	1863.23	3.26	0.56	32495.36	83890.36	320149.04	436534.76	293066.08	3.04
<b>SRCDC</b>	145255.24	1750.06	3.41	0.54	21697.45	38600.53	550853.57	611151.55	465896.31	4.21
<b>Sylfaen</b>	132356.52	2005.40	3.15	0.54	131873.73	83320.81	405845.56	621040.10	488683.58	4.69
<b>Wallich</b>	130605.64	2464.26	3.02	0.55	62128.19	38811.60	363539.36	464479.14	333873.50	3.56
<b>TOTAL (ALL PROJECTS):</b>	<b>1247751.56</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>1036858.26</b>	<b>553657.68</b>	<b>3939582.54</b>	<b>5530098.48</b>	<b>4282346.92</b>	<b>n/a</b>
<b>AVERAGE</b>	<b>138639.06</b>	<b>1860.41</b>	<b>3.23</b>	<b>0.54</b>	<b>115206.47</b>	<b>61517.52</b>	<b>437731.39</b>	<b>614455.39</b>	<b>475816.32</b>	<b>4.43</b>

(N.B. All figures in this table, save average number of years benefit and average attribution rate, are expressed in £ sterling at 2014/2015 prices.)

The sections that now follow discuss the results above in terms of the different types of value created, and the reasons behind the variations and common trends to be found in these figures.

#### a) Fiscal value

Looking first at the fiscal value generated by the Livelihoods project, the first thing to note is that the project virtually paid for itself in terms of fiscal value generated alone. Given that opportunity costs are not included in any purely fiscal value analysis, as they are not costs the state would be paying for, the total fiscal value of the project by itself came close to outstripping the total input costs for the project of £1,108,881.<sup>21</sup> At the same time, there were significant variations between projects. This is because fiscal value, or conventional limited type cost-benefit analysis, tends to say more about what an organisation does than how well it does it.

To take the two projects with the highest and lowest total fiscal value generated, for example, Duffryn Community Link generated the most fiscal value of all the partner projects. This was of course partly a reflection of the excellent outcomes it achieved. It was also, however, in very large part because of the particular types of beneficiaries it mainly works with – young families and children with especially deep-seated and complex needs. Its participants are almost exclusively among those in society most at risk of requiring unusually cost-intensive state interventions, such as secure mental health accommodation, foster care or prison. In this sense, the project provided a good example of why the UK Government has been willing to invest so much money in its 'Troubled Families' initiative in England, which aims to target exactly those types of families with which the Duffryn project primarily works.

The project generating the lowest fiscal value, by contrast, was the DOVE Workshop in Banwen. This was not any measure of its effectiveness versus the other projects. Indeed, it had the lowest participant unit cost of any of the nine projects, as it was able to work with a slightly higher number of participants than the other partners. This was primarily because of its location within a particularly well-used existing community centre and the comparative geographical isolation of the project and its participants, which made accessing support elsewhere more difficult compared to other projects. Rather, the reason for the DOVE project's relatively low score in terms of fiscal value generated was that it provided a lot of welfare benefit advice to its participants, with the project often being the crucial factor in enabling beneficiaries to access state benefits, such as Jobseekers Allowance, Employment Support Allowance or Personal Independence Payments, Educational Maintenance Allowance, Working Tax Credit and so on, to which they were entitled, but either not aware of or had been misadvised elsewhere that they were ineligible. Purely in terms of fiscal value, all of these interventions actually cost the state money rather than saving it, hence the low seeming overall value generated by this particular project; if a cost-benefit or value analysis only takes fiscal value into consideration, then its results can be very misleading.<sup>22</sup>

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<sup>21</sup> The Livelihoods project was funded through a mixture of BIG Wales, Oxfam GB and Unilever funding – for the exact breakdown of input costs from these sources, see 'Building Livelihoods & Strengthening Communities in Wales: Project Plan 2012 – 2015', p.64.

<sup>22</sup> There is, of course, generally always a cost and/or benefit of one kind or another to somebody somewhere with any decision or non-decision of this kind taken. For example, someone who, for whatever reason, has been denied (say) Jobseekers Allowance, will have to find some other way of supporting themselves in its absence. This could mean turning to a foodbank a loan shark or payday lender, or even some form of crime to fill the gap in their income. All of these outcomes might or might not eventually end up

## b) Economic value

In order to capture a project's full value, its economic and social value need to be taken into consideration as well. However, to calculate economic value, not only the input costs of the monetary contributions made by funders to a project, but also the opportunity costs of its participants – in terms of the potential value of the time given by them to take part in the project, which could have been used instead to gain other economic or social benefit – need to be included.

In accordance with the golden rule of not overclaiming, these opportunity costs were therefore factored into the value analysis by introducing a specific opportunity cost amount for each participant. This cost in turn reflected the average number of hours a participant would spend with the project, expressed in terms of the value of those hours at the level of the minimum wage (as that is what the overwhelming majority of participants would be working for). Those participants who also became peer mentors on the project, and who therefore had to complete specific skills training by the project before working with participants, also had their cost of their training and volunteering activity expressed as an opportunity cost based on average time spent working and training with the project. These costs were set at average median wage, rather than minimum wage levels, in order to reflect the more skilled nature of the activity undertaken.

In terms of the individual projects, there was less variation in terms of economic value than there was in terms of fiscal value, essentially because all the projects were operating in areas of relative economic deprivation. As a result, none had an obvious advantage in terms of a kinder economic climate compared to the others. It is also the case that the relatively close final levels of overall deadweight/attribution (which ranged between 0.50 and 0.58), something again unsurprising given the relatively similar constellations of agencies present in each partner area, were also a factor here.

At the same time, some variation was discernible, primarily as a result of the different levels of volunteering potential available to each partner projects. It is no coincidence that the project with the highest economic value generated was the African Community Centre project in Swansea, which worked primarily with asylum seekers who could not take up employment, and who therefore had more time to offer as volunteers. It is likewise unlikely to be a coincidence that the next highest economic value created was by the Sylfaen project in Caernarfon, which worked primarily with young people outside of full-time work or education, or that the third highest total was created by the Glyncoch Community Regeneration project, where the majority of participants were non-working parents with children who were in primary school during the day.

Overall, even with opportunity costs as well as input costs taken into account, the combined fiscal and economic value of the Livelihoods project comfortably exceeded its costs. It is, however, perhaps the single most basic tenet of the Sustainable Livelihoods Approach that there are far more types of capital making up a person's livelihood than

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costing the state something, for instance, through the cost of criminal proceedings or through greater levels of stress or ill health increasing future use of the NHS or the benefit system. However, these outcomes are too far down the impact chain to be readily ascertainable in a value analysis, especially as the removal of a state benefit like JSA might equally result in a participant turning to substitutes that cost the state nothing, such as informal family support or support from foodbanks run on charitable donations from private citizens. As a result, these more distant secondary or tertiary outcomes of this kind of benefits withholding are not included in this value analysis, unless there is a direct record of a participant turning to a particular state service, or avoiding turning to a particular state service, as a result of the project's intervention.

economic or financial assets alone. It is these other types of capital and assets, and the value that can be created through them, that require the social value generated by a project to also be taken into account, if the full value of a project's outcomes is to be assessed.

### c) Social value

The Livelihoods project, and the Sustainable Livelihoods Approach that underpinned it, identified four different types of capital in addition to conventional financial capital (wages, benefits, loans and so on) that together make up a person's livelihood. These additional types of capital were as follows:

- Human capital: Skills, confidence, knowledge, qualifications – what a person has in their head that can help them improve and sustain their livelihood.
- Physical capital: A house or flat, means of transport, work clothes or equipment – the things a person can lay their hands on to help improve and sustain their livelihood.
- Social capital: Family, friends, other networks – the people that a person has around them who can help them improve and sustain their livelihood.
- Public capital: Local services, community groups, leisure amenities – the public facilities open to all that can help a person improve and sustain their livelihood.<sup>23</sup>

These types of capital were the source of the project's specific outcomes, which were also the result of extensive consultation carried out with hundreds of individuals and organisations in each of the nine partner areas. The main forms that consultation had taken were as follows:

- Focus groups in each of the areas with beneficiaries and other stakeholders.
- Face to face one-on-one interviews with beneficiaries and stakeholders in each area.
- Telephone interviews with beneficiaries and stakeholders in each area.
- Detailed consultation processes with all partners, including staff and board members.
- General research using relevant quantitative statistics, surveys and other data.<sup>24</sup>

Four outcomes for the project were agreed as a result of that process:

- Outcome 1: Marginalised people will develop skills and build confidence to improve their livelihoods and life chances.
- Outcome 2: Marginalised people from different backgrounds will be more involved in community activities.
- Outcome 3: Community groups will have a better understanding of the needs of different people and groups in their neighbourhoods and how to meet them.
- Outcome 4: Marginalised people will say that they receive more and better services that meet their needs.<sup>25</sup>

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<sup>23</sup> See 'The Sustainable Livelihoods Approach: A Toolkit for Wales' (Oxfam GB, 2013), p.7, available at: <http://policy-practice.oxfam.org.uk/publications/the-sustainable-livelihoods-approach-toolkit-for-wales-297233> [accessed April 2016].

<sup>24</sup> 'Building Livelihoods & Strengthening Communities in Wales: Project Plan 2012 – 2015', pp.22-24.

<sup>25</sup> 'Building Livelihoods & Strengthening Communities in Wales: Project Plan 2012 – 2015', pp.70-71.

In keeping with this holistic set of outcomes, the monitoring for the Livelihoods project from its outset had measured the progress of its participants in terms of distance travelled in each of these areas using repeat baseline surveys.<sup>26</sup> This allowed the progress of participants with baselines to be mapped onto the wellbeing valuation scale that forms the basis of the HACT Social Value Bank, and therefore the social value created by the project to be measured.<sup>27</sup>

It is only when these figures are put alongside the figures for a project's fiscal and economic value that a complete picture of the value a project has created can emerge. So, for example, the Caia Park project, which scored only middlingly in terms of fiscal and economic value, was the single biggest generator of social value among the projects. In part this was a result of the slightly more intensive approach it took to supporting its participants compared to the other projects (hence it had the highest unit cost per participant, and also the joint second highest attribution rate). At the same time, intensity of support offered was not the only factor in the amount of social value generated by a project; the DOVE Workshop project, for instance, which scored relatively low in terms of fiscal and economic value, was the second highest generator of social value, simply because of the overall effectiveness of the interventions it made in improving its participants' wellbeing.

Again, with the cardinal rule of not overclaiming in mind, it is worth noting here that only improvements in wellbeing of a certain magnitude were counted as instances of the project generating social value. The outcomes listed in the Social Value Bank are divided into valuable and non-valuable outcomes, and only those outcomes in the top part of the wellbeing scale (broadly speaking, the top third to quarter of values) are considered by it to

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<sup>26</sup> The social value for the project was calculated using the following indicators in the HACT Social Value Bank (correlated for age band and non-London geographical area): EMP 1401 – Full-time employment; EMP 1402 – Self-employment; EMP1403 – Part-time employment; EMP 1408 – Regular volunteering; ENV1407 – Able to obtain advice locally; ENV1409 – Feel belonging to neighbourhood; HEA1401 – High confidence (adult); HEA1406 – Feel in control of life; and FIN1406 – Financial comfort. The non-employment indicators are independent from each other, (as based on separate outcomes), and therefore can be used together in any combination, as per the Social Value Bank guidance (see L.Trotter, pp.12-13). The employment indicators were mutually exclusive, again as per the Social Value Bank guidance, with a beneficiary only able to achieve one of EMP1401, EMP1402 or EMP1403 while with the project. All of these indicators were chosen on the basis of being a close match for the wording of the project outcomes against which progress was recorded in the baseline surveys. The only indicator which had no explicitly comparable wording in the baseline surveys was HEA1406, but the notion of control over one's life is particularly important to the SLA; it is never possible for it or any other approach to eliminate entirely these external shocks; instead, the SLA seeks above all to build up is a beneficiary's feeling of control over their life, so that when those external shocks do happen, they are more resilient and better able to cope with them, because of that feeling of control. For this reason, as the Social Value Bank has no exact indicator quantifying the general value of a sustainably improved livelihood in general (as opposed to contributory but separate subcomponents, such as confidence or access to services), HEA1406 was the most relevant proxy to use in order to capture the broader social value of a more sustainable livelihood and, as per the HACT guidance usable with any of the other indicators listed above.

<sup>27</sup> In ascertaining social value, this value analysis uses the values outlined in the HACT Social Value Bank and its accompany guidance – see L. Trotter, 'Social Value Bank: Practice Notes – Update 2014' (HACT, 2014). The only substantive aspect where the methodology used in this value analysis departs from this is in using the values – subject to the dropoff, discounting and duration calculations qualifiers above – across more than one year. The guidance for the Social Value Bank does not offer its own methodology for calculating these factors, as it is designed for simple forecast-type analyses of social value, rather than complex summative analyses, and therefore does not offer assessment of outcomes of more than one year's duration in its standard methodology. As its guidance notes make clear, however, "[t]his does not prevent you using the values in other impact valuation methodologies that do permit the use of informed judgements around duration and drop off" (see L.Trotter, p.5), hence its values and methodology still usable as the basis for the social value calculations in this report.

be eligible. This accords with the similar scale used in the Sustainable Livelihoods Approach: known as the Livelihoods Ladder, the scale splits outcomes into sustainable and non-sustainable distance travelled, with only outcomes within the higher 'Adapting or Accumulating' stages of the ladder (equivalent to a score of 70% or more in one of the types of capital outlined above) counting as valuable.

Nevertheless, even with these restrictions applied to the figures, it is clear from those figures that social value was the type of value which the Livelihoods project was able to create best of all. The only exception to this was the Duffryn Community Link project, which produced the lowest amount of social value among the nine partner projects and less social value than fiscal value overall. This illustrates one of the key points to emerge from this value analysis, namely that the more an organisation had to deal with short-term, emergency-type situations and crises in its work, the less social value it was able to generate in the longer term; it is noticeable that the other lowest generators of social value were the African Community Centre, where participants were particularly subject to emergency situations arising as a result of asylum claims being turned down.

#### d) Overall value

It is therefore not to belabour the point to underline again how important the context for all of the figures in this value analysis is. Its overall value figures should never be used by themselves in isolation to draw conclusions about the efficacy of the individual projects related to one another, or even about the efficacy of the Livelihoods project as a whole, for that reason. Nevertheless, the overall ratios are clear about one thing: the project more than paid its way in terms of value generated, with an overall net value ratio of 4.43. Or, to put it in other words, the Livelihood project generated £4.43 in fiscal, economic and social value for every £1 that was invested in it, meaning that with an overall average net value per project created of £475,816, the benefits of the project far outweighed its costs, even taking into account the frequently intensive and resource and time-consuming nature of the work it involved.

### **Sensitivity Analysis**

As with any kind of value analysis, all of the above values are based at least in part on averages and assumptions, rather than exclusively on individual beneficiary level data. While this particular value analysis has been able to draw on the individual case histories kept for every participant on the Livelihoods project, and therefore has explicit supporting evidence for all its outcomes, including specific baseline survey data where relevant, it has still had to make some assumptions in its use of base unit costs, in order to then turn those outcomes into comparable figures across all nine projects as a whole.

As a result, it is important to subject those figures to a process of sensitivity analysis. Sensitivity analysis is a process whereby the main assumptions in a value analysis are varied, in order to see what effect the assumptions being over, or indeed under, optimistic would have on the overall value created by a project.

According to Social Value UK's guidance, it is particularly important to look at the following areas:

- Quantity of outcomes;
- Value of non-financial inputs;

- Assumptions relating to deadweight, attribution and dropoff;
- Financial proxies.<sup>28</sup>

As recalculating every assumption in a value analysis would be a task almost as time-consuming as producing that analysis in the first place, by convention sensitivity analysis looks only at the highest value assumptions made in each of the four areas, as any other over or underassumptions will by definition be of less significance. Sensitivity analysis therefore ultimately produces not a single net value ratio figure, but a net value range.

The following sensitivity analysis therefore looks at four areas noted above in turn:

#### 1. Quantity of outcomes: number of beneficiaries with improved livelihoods

The majority of the outcomes for the project were binary, and therefore easily ascertained and recorded by workers – either a participant had found a job, or a volunteering placement, or they had not. This was not true of all outcomes though, particularly those relating to social value, where the distance travelled data used produced graded changes rather than binary ones. While the individual distance travelled in each aspect of a beneficiary's livelihood, for example in relation to community involvement or access to services, was a simple and therefore reliable calculation for a participant to make, the assumption inherent in taking the distances travelled in relation to each individual type of asset, and then averaging between them to get the overall amount of livelihood progress made, was more complex, and therefore is the factor subject to sensitivity analysis in this category. (Value generated from sustainably improved livelihoods was also the fourth single highest source of value for the project, after the three sources analysed in the financial proxies section below.)

The use of repeat baseline surveys to qualify all participants counting towards this outcome means that it is unlikely that the total number is an overestimate. However, if it was the case that the numbers had been overestimated significantly, for example, by 25%, then the overall value ratio for the Livelihoods project would drop to 4.24. If, conversely, the lack of repeat baseline data for some participants who left the project early meant that the total number of participants with measurably improved livelihoods was a 25% underestimate, the overall value ratio for the project would rise to 4.61.

#### 2. Value of non-financial inputs: opportunity costs to participants taking part in the project

Opportunity costs used on the project were averages rather than actual hours spent with a given participant. Throughout the project, the desire to monitor as many elements of it as possible had to be balanced with the need for workers and peer mentors to be able to carry out their work without having to constantly spend time accounting for their time. The nature of livelihoods support in particular, with its unpredictable workload and requirement to be able to deal with crisis situations at short notice, makes it inherently unsuited to intensive input time monitoring. As a result, the project took the decision early on not to record the specific amount of time spent with each participant in records of activities, but instead to focus in its monitoring workload on capturing what was done and the outcomes that activity had.

As a result, the opportunity costs for participants – the largest non-financial input included in the value analysis – are based on an estimated average number of hours of involvement

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<sup>28</sup> Nicholls et al, p.69.

with the project per (non-peer mentor) participant valued at minimum wage (as ordinary involvement with the project as a participant required no particular skillset, in contrast to involvement as a peer mentor). This average number of hours was set at 16 per participant, with the estimated lower averages for non-intensive participants who formed the majority of project beneficiaries offsetting the estimated higher averages for the minority of project beneficiaries who were intensively supported. Applying value analysis nonetheless, however, to allow for the possibility that these elements did not quite offset, the overall value ratio for the Livelihoods project would drop to 4.19 were the average number of hours required per participant actually twice this amount. If, conversely, the average number of hours required per participant was instead half the estimated amount, the overall value ratio for the project would rise to 4.56.

### 3. Assumptions relating to deadweight, discounting and dropoff: combined deadweight / attribution rate of all participants

As noted earlier, the discounting, dropoff and substitution weightings used in this value analysis follow standard national rates and methodologies, so are unlikely to be either over- or underestimates. The combined deadweight/attribution rates applied likewise follow or sometimes even exceed external standards, such those in the HACT guidance.<sup>29</sup> While the discounting, dropoff and substitution quantifiers are all uniform flat rates, the deadweight/attribution rate varies according to each participant's case history, and is therefore a more subjective quantifier. With an overall average combined deadweight and attribution rate for the project of 0.54 (or in other words, an average of almost half of the outcomes value for each participant ascribed to factors other than the project), and with the use of the Social Value Bank figures, which include an already built-in deadweight amount, for the social analysis the value analysis for this project is unlikely to have overestimated its attribution rate. Nonetheless, in the unlikely event that the deadweight/attribution rates for the project did prove to be overoptimistic by a factor of 25%, then the overall value ratio of the project would fall to 3.32. If, on the other hand, the existing deadweight/attribution rates proved to be a 25% underestimate, then the overall value ratio of the project would rise to 5.53.

### 4. Financial proxies: employment (average fiscal value of a previously workless participant entering work), volunteering (average economic value of volunteering per hour volunteered) and increased confidence (average social value of high confidence - adult)

Last of all, the proxies with the highest gross average value per annum for each type of value were the three above. The fiscal cost of a previously workless participant entering employment is derived from the Treasury/New Economy unit cost database, which gives a unit per participant saving using Department for Work and Pensions figures. This figure is then subjected in this value analysis to further qualifiers dependent on the particular participant's case history. So, for example, the value of the outcome is greatly reduced if it only relates to part-time, rather than full-time, work. Further reductions are also applied if the work is paid at a level that would require the participant to still receive in-work benefits such as Working Tax Credit. While it is therefore unlikely that the employment element of any of the partner projects' total value figures could be overclaiming, as the largest

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<sup>29</sup> In applying a minimum minus 25% deadweight/attribution factor to all beneficiary outcomes, plus further minus quantifiers on a case-by-case basis, this value analysis actually goes slightly further than the minus 19% average across different outcome types suggested in the HACT guidance – see L. Trotter et al, p.12. The scale used is also in line with Homes & Communities Agency guidance – see J. Dancer, 'Additionality Guide - Fourth Edition 2014' (HCA, 2014), p.18.

constituent part of that value, it is important to note that if it did prove to be overoptimistic by 25%, the overall value ratio for the Livelihoods project would fall to 4.32. If, by contrast, the employment value created by the project turned out to underrepresent the final situation by 25%, then the overall net value ratio would rise to 4.53.

The conventional way of calculating the economic value of volunteering is to multiply the average amount of hours volunteered by the median average wage. However, the types of work that Livelihoods participants undertook in their volunteering were overwhelmingly activities like shop work, basic goods or craft production or other manual tasks that would attract only the minimum rather than the median wage if done on a paid basis. For that reason, in order to guard against any potential overclaiming, this value analysis uses the minimum wage as its proxy, rather than the median wage for Wales; if the median wage were used instead, the net value ratio of the project would rise to 4.69. The volunteering figures also assumed 8 hours volunteering per week (in order to balance out those who only volunteered one morning or afternoon a week with those who volunteered on a much more regular basis), and 38 weeks volunteering in any given year (on the assumption that a volunteer would be likely to take around twice the combined annual or sick leave of an employed person). If either of these assumptions proved to be overoptimistic, and therefore overestimating the value of the volunteering generated by the project by half, its net value ratio would fall to 4.23.

Finally, in relation to proxies, the highest value factor in terms of annual gross social value per annum was high confidence, which constituted on average £72,730 of each partner project's net value. This proxy is part of the Social Value Bank, and therefore derives from large scale national datasets (as discussed earlier) which are unlikely to be wrong. However, if the proxy did turn out to have overestimated the social value of high confidence generated by the project by 25%, the overall value ratio for the Livelihoods project would fall to 4.22. Underestimating the value of high confidence generated by the project by 25%, by contrast, would see the Livelihoods project's net value ratio rise to 4.63.

Overall, therefore, looking across all four areas of the sensitivity analysis for this project, the highest point in the net value ratio range is 5.53 and the lowest point 3.32, with the majority of values within the 4.19 to 4.63 range. Applying sensitivity analysis therefore suggests that the specific value ratio of 4.43 resulting from the value analysis as a whole is well within the likely range of outcomes for the project, even when subject to significant potential variations within its most important constituent factors.

## Conclusion

One of the most acute observations made in relation to the process of quantifying a project's value comes from the Treasury's guidance document, '*Supporting public service transformation: Cost benefit analysis guidance for local partnerships*'. Its observation that "[c]ost benefit analysis is not an exact science and its outputs are a guide to decision-making not a substitute for thought"<sup>30</sup> is an important reminder to any reader, or writer, of a value analysis such as this one.

Indeed, although there are three definite types of value – fiscal, economic and social – of a project that can be quantified, it should not be left out of the thought process that there is also a further type of value, which cannot be quantified. This fourth type of value is the

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<sup>30</sup> 'Supporting public service transformation...', p.11.

human value of an intervention, or, to express it in a less positive way, the human costs of doing nothing.

One of the Livelihoods project's participants in South Wales was Hauka, a young man from North Africa.<sup>31</sup> An asylum seeker, he had originally come to the project simply for some help improving his IT skills, anticipating the day when he would be granted refugee status and therefore allowed to work. His Livelihoods worker found him a course, but quickly saw through the use of the SLA that Hauka had other needs. Working with Hauka to establish and then find solutions to those needs, she found him with help with his English and his work preparation skills in general. Everything was going well, and Hauka had just completed his IT course, when out of the blue his asylum claim was unexpectedly rejected.

These kind of events – what the SLA refers to as 'external shocks', things like bereavements, loss of a job, illness, relationship breakdown and so on – can and do happen to anyone and everyone, and no approach or project can legislate them out of someone's life entirely. But what a project like the Livelihoods project – or an approach like the Sustainable Livelihoods Approach – can do is build up a person's resilience, so that when those external shocks do happen, they are in the best possible position they can be in to cope with them.

This is what happened with Hauka. The sudden rejection of his asylum claim was a severe external shock. All of the progress he had made in previous months in terms of confidence and wellbeing was knocked back. He was left destitute and sofa surfing, with no recourse to public funds. The Sustainable Livelihoods Approach, however, always focuses on what a participant can do, not on what they cannot, and the same goes for the workers that use it; Hauka's Livelihoods worker could not get his rejected asylum claim overturned overnight. But what she could do was help him apply for some emergency housing, which she did and he was successfully rehoused.

The cost of helping Hauka to the project was just over £2,300 for the time he was with it. Yet whichever type of conventional value you look at – fiscal, economic or social – because of the shocks he received, the value generated by helping him would appear to be zero. However, when you ask Hauka himself what the value of the project was to him, you get a different answer. Because the worker was able to find him housing that allowed him to stay in the city he now knows, rather than having to move somewhere far away, and because staying allowed him to continue with his classes, his friends and the support networks he has built up, rather than having to start again somewhere else from scratch, the value of the Livelihoods project intervention to him was anything but zero. For Hauka, as he put it, it was simply “priceless”.

These are the kinds of issues that emerge when a project's outcomes are subject to value analysis. Indeed, what value analysis demonstrates most of all is the enduring relevance of the debate Oscar Wilde's characters were having in *Lady Windermere's Fan* all those years ago; in reply to the assertion by the character who observes that price is not the same as value, his interlocutor counters that the other character is a sentimentalist, “*who sees an absurd value in everything and doesn't know the market price of any single thing*”.<sup>32</sup>

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<sup>31</sup> Names and identifying details have been changed or removed in accordance with the beneficiary's request for anonymity.

<sup>32</sup> O. Wilde, *Lady Windermere's Fan*, Act III, Scene I.

It will always be possible to disagree about value, which is why there will always be the temptation for many to reach for the easier, if much less revealing, metric of price. The success of the Livelihoods project, and its validation of the Sustainable Livelihoods Approach upon which it is based, provides strong evidence that price is not the same as value, and that providing intensive support, however expensive it may seem compared to less intensive approaches, can create great rewards further down the line. The Livelihoods project has blazed a trail in its three-and-a-half years; now it remains to be seen how many other projects working with marginalised people will follow its example.