



Tool: the cost-benefit calculator

This [Cost Benefit Calculator tool](#) from Involve is designed to help local authority officers and councillors assess the costs-benefit ratio for an engagement exercise and make the business case for it.¹

Stage One: Goals. Decide what you're aiming to do with the calculator.

- Create the business case for a particular engagement programme?
- Make the case for engagement across an entire organisation or area?
- Compare the costs and benefits of one type of engagement versus another (or of engagement versus non-engagement)?

Stage Two: Remit. Define the focus and purpose. Key questions include:

1. What are the parameters of this business case in terms of time and responsibility? Are there other projects that overlap with your project that you may need to factor in?
2. What difference do you want to make through your engagement? How will you measure success? Is it increased trust, efficiency or improved service outcomes?
3. Do you need to cover the whole project or just a particular aspect – like a single event or a work strand?
4. How will you know if your benefits are linked to engagement and wouldn't have happened anyway? Are there comparators that you can use?

Stage Three: Metrics. Decide what to measure; often this involves finding an imperfect 'proxy'.

- A. What's the goal and purpose of the evaluation?
- B. What are possible indicators of success?
- C. What monetary measures exist?
- D. How do we get data?
- E. What are the important assumptions at play?

¹ There are other more general guides to cost-benefit analysis in local government, such as the [2014 technical guidance to support the Treasury's Green Book](#).

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Which hat are
you wearing?

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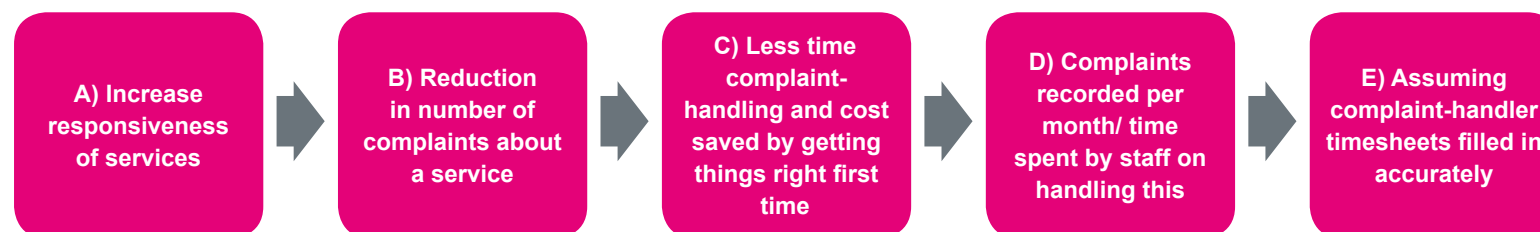
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The Basics

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The flowchart example below uses the example of an engagement around responsiveness of services to show how this might be done.



Stage Four: Attribute value.

Attribute a financial value to each element which doesn't have a clear cash value. There are two ways to do this:

- Find types of existing market value that can act as a proxy – i.e. the cost of staff time spent on complaints before and after engagement
- Ask those who benefit to estimate how much they value that benefit means to them – i.e. what they would be willing to pay for the change, or how much they would have to be paid to accept the change

Generally, the first of these is seen as more accurate than the latter as a way of working out the non-monetary amounts. The table below can be used as a template to input all of the above costs and benefits, so as to come to an overall figure. (There are a number of other templates and tools in Involve's document which might be useful as you make your calculations)

Costs and benefits	Totals
Total monetary costs	
Total non-monetary costs	
Total monetary benefits	
Total non-monetary benefits	
Deduce using this equation: (Benefits+NM Benefits) – (Costs–NM Costs)	
Overall cost-benefit	

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Stage Five: Analysis. Cross-examine what you've found.

Give your findings a 'reality check' by looking at the costs and benefits of one or more aspects. Develop alternative scenarios, for example, or ask colleagues to challenge assumptions. This helps stress test the tool.

Make sure you include elements that cannot be quantified in monetary terms, too – such as any adverse impacts on particular groups or any positive impacts on relations.

Stage Six: Use. Present the cost-benefit analysis.

- Think about the audience and decide how much detail to go into when presenting findings
- Create comparators for how much might have been spent using other methods or no methods at all – these alternative scenarios might include:
 - Doing nothing
 - Sticking with previous tried and tested methods at your council
 - Use of alternative engagement methods (i.e. one big event rather than a series of meetings)
 - Use of alternative ways of solving the problem (i.e. using conventional marketing instead of face-to-face engagement)

✱

Through this approach, it is possible to have some grasp of the public value that is being created against the relevant taxpayer spend. This obviously doesn't mean reducing all engagement activity to arithmetic. But, with the right amount of time and resource investment, it makes a useful tool for assessing the real value of engagement.

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