
This guide is of particular relevance to commissioners, service transformation and improvement leads and providers engaged in delivering:

- Place-based care
- Public health / prevention
- Social prescribing
- Asset-based approaches
- Community development

This guide is intended to be read alongside the guide entitled:

'Unlocking the value of VCSE organisations for improving population health & wellbeing: The Commissioner's role'

Introduction

This practical guide is intended to be read alongside our discussion guide for commissioners which demonstrates how commissioners' limited financial resources could be used differently to enhance outcomes and ensure local services are more sustainable.

This guide describes the design approach used in the Healthy London Partnerships' Healthy Communities project (see discussion guide); from the early stages of designing and kick-starting the initiatives with local communities and throughout the incubation process. This approach can be employed by commissioners and providers when designing in-house services or spin-outs, commissioned services, or as part of incubation programmes. It usually requires specialist input and expertise.

This practical guide will introduce:

- A design-led approach to place-based services
- Business modelling for financial sustainability

A design-led approach

A design-led approach puts user needs at its heart, and by doing so avoids waste later on (by providing what people will use, and avoiding what they will not). It often starts with a period of ethnographic research, which means spending time with, and observing people, their needs, experiences and behaviours. It co-designs and develops ideas with users and delivery partners, meaning that it draws on the assets of local communities, and achieves greater ownership and therefore sustainability for ideas early on.ⁱⁱ

A design-led approach is emergent. It recognises that many of the problems experienced today are complex and evolving, and therefore does not start with a preconceived and/or single solution. Rather, it recognises that it is important to properly understand the problem first through a period of ‘discovery’ – or research. This research is often user-centred. Fully understanding an issue through ethnography often reveals the root causes of problems. Quite often problems are redefined at this stage, opening up the possibilities of more solutions.

A design-led approach is Agile and iterative. It recognises that there can be multiple solutions to a problem, it uses prototyping (mocking things up and testing them out at small-scale) to understand which ones work (and which ones don’t) and refines the ones that do. An agile and flexible approach means that ideas can respond and morph according to user feedback and opportunities presented by local delivery partners.

Over the next page are two diagrams which might be helpful in visualising this.

A recent analysis undertaken for the Design Council estimated that design and prototyping work for their Public Services by Design programme resulted in efficiency savings of £26 for every £1 spent.

– Design Councilⁱ

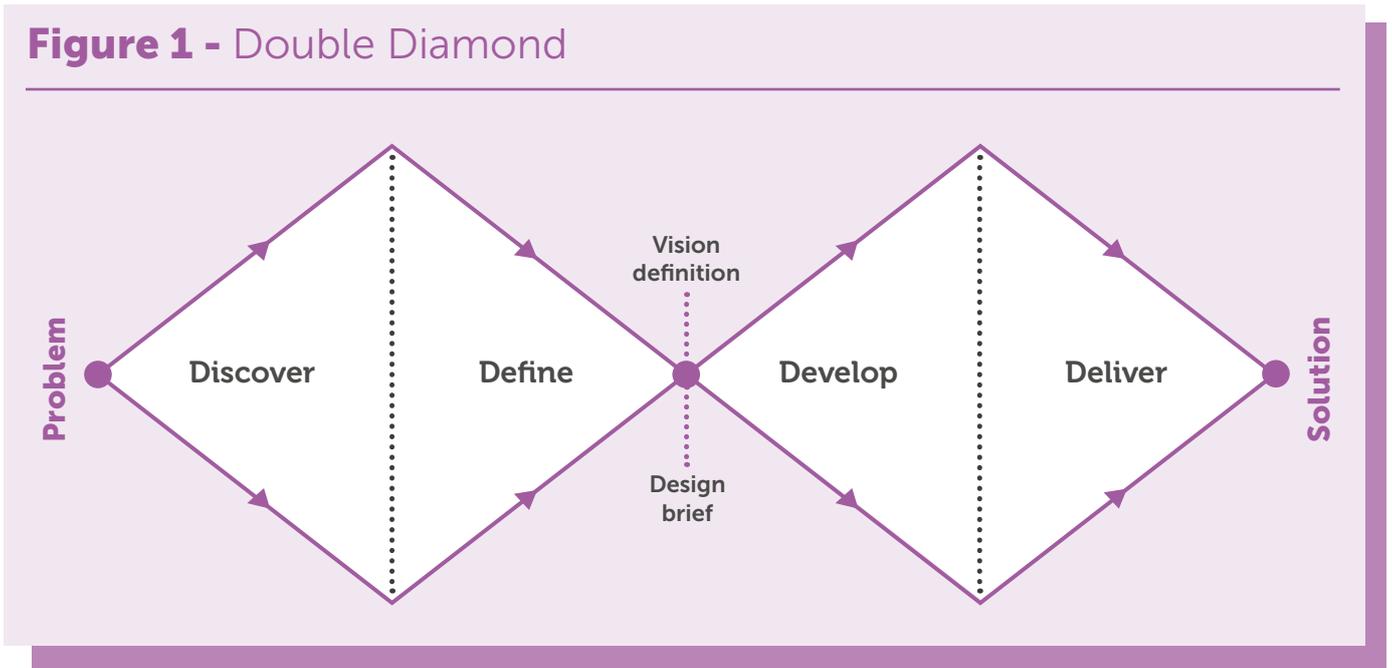
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“Agile is an alternative process which allows you to gather feedback and physically watch a project evolve and work with partners in the more collaborative and iterative way.”

“My definition of Agile is: more flexible, feedback led, iterative and much more collaborative.”

– Craig Tucker, AGILE specialist

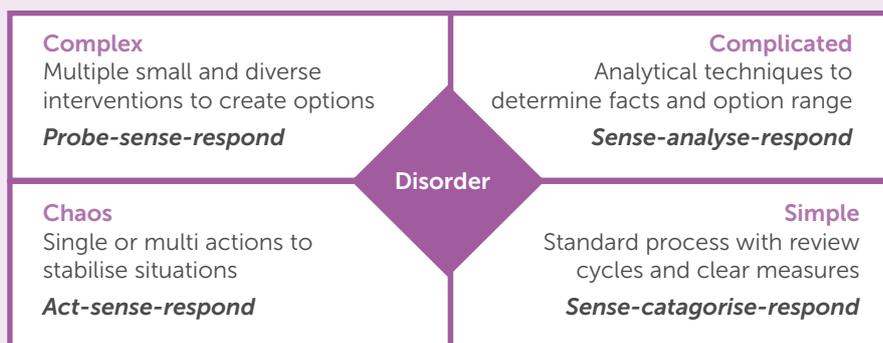
Figure 1 - Double Diamond



The first is the widely used [Design Council's Double Diamond](#) and shows the process through the period of initial research (discover), using this to redefine a problem (define), generating ideas with users (develop) and then prototyping and testing to find out which ones work (deliver).

The second is Dave Snowden's Cynefin frameworkⁱⁱⁱ which shows how problems can be categorised. This categorisation determines what approach should be used to identify solutions depending on how clear the relationship between cause and effect is. Where the relationship between cause and effect is simple, a standard 'off-the-shelf' solution can be applied. In the case of childhood obesity where the relationship between cause and effect is complex with multiple factors at play, a design-led approach where solutions emerge through discovery and testing can be most effective.

Figure 2 - Dave Snowden's Cynefin framework



Not enough time is spent at the beginning of a commissioning process really understanding the problem – why are children in this locality struggling to maintain a healthy weight? What is the particular challenge here? What are the interplaying factors and root causes? What do local people think is the problem? Is the relationship between cause and effect clear and will a given intervention always produce the same results?

By spending more time really answering these questions, early on, and by working with local people and organisations; commissioners can get a much deeper understanding of the problem and which approach to take to develop solutions most likely to produce the outcomes desired.

Business modelling

A study by Zurich Insurance showed that as a result of on-going public sector austerity, there is a major shift in business models taking place, with charities moving away from traditional funding models to more diverse income-generating models^v. There has been a rise in social enterprises alongside this.¹⁵

Business modelling is a tool that can be used to support this shift and design services that are financially sustainable – with the potential to generate a surplus through a variety of income streams.^v It can be used by commissioners and providers at the design stage of a new service, when kick-starting a new initiative or organisation, in incubation programmes or during a procurement process. Encouraging VCSE organisations to use business modelling to improve their sustainability can be beneficial, but they won't always have the specific skills and experience to do this in a meaningful way or to implement their plans. They may need specialist support to do this which can be provided in incubation programmes as well as by infrastructure organisations or other specialist providers.

Business modelling not only considers the financials of an operating model but also helps an organisation to think about their customers or potential customers, stakeholders and partners.

See below for an example of a business modelling template. In capturing and presenting a business model in this way, commissioners and providers can gain a better understanding about the viability and sustainability of a new initiative or organisation.

“All organisations across sectors need to secure resource – whether people or material – to deliver their products and services. Similarly, all organisations benefit from generating a surplus, whether they retain it as pure profit, reinvest it in their organisation, donate it, or do a combination of these things”

– Zurich^v

“As commissioners you are responsible for allocating money and therefore have the power to ensure providers adopt sustainable business practices – this is especially true with the shift to an ‘any willing provider’ model.”

– Sustainable Development Unit^{vi}

Figure 3 - Business model canvas



Adapted from Osterwalder, A. and Pigneur, A. (2010). *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers*

Revenue streams to support a sustainable business model

There are a number of different types of revenue, beyond that gained through commissioned services, which can be considered when developing a sustainable business model.

Revenue type	How it works	Points to note
Selling products or services (trading)	<p>To ensure affordability the price may be subsidised by other revenue streams or supported by a business model that minimises costs. Comprehensive understanding of customer needs, capabilities and expectations will be necessary to develop attractive products and services at an accessible cost.</p> <p>Examples: Selling goods, courses, training and other services. Renting out space and other assets, selling specialist skills as consultancy to other organisations. These might be sold directly to members of the public, to private sector companies or to commissioners</p>	<ul style="list-style-type: none"> • Leveraging community assets (financial, human and physical) can minimise operating costs • Using digital channels to promote and deliver services can minimise marketing and operational costs • Ensure the customer market is big enough to support the business model • Monitoring and evaluating outcomes to demonstrate impact can support sales
Cross-subsidy	<p>Using revenues from profitable activities to subsidise loss-making products and services. For example, a charity may be able to use profits from selling consulting services to pay for activities that help the most deprived populations who can't afford to pay for a service. Or products could be sold at different rates to different customers (Premium and Freemium products).</p>	<ul style="list-style-type: none"> • Develop a range of products or services for customers with different purchasing power, being careful to avoid price distortions within a single market, i.e. supporting the perception that the same product is available for less money elsewhere

Revenue type	How it works	Points to note
<p>Grants</p>	<p>A range of grants are available to VCSE organisations, particularly for testing and scaling new products and services. They aren't a sustainable source of income but can provide a lower risk way to test new ideas.</p> <p>Example: from the Big Lottery Fund, People's Health Trust, Local Authorities</p>	<ul style="list-style-type: none"> • Eligibility will depend on aims and sector, but online searches will quickly uncover those available and the terms for application
<p>Fundraising or crowd funding</p>	<p>Whilst fundraising income can be unsustainable as a single source of income, it can provide a good opportunity to top-up revenue whilst also spreading the message of the organisation.</p> <p>Example: online crowd funding campaigns, local collections, sponsored events</p>	<ul style="list-style-type: none"> • Recruit volunteers to increase the amount that can be raised. • Consider different types of fundraising that might further support the organisations' social mission
<p>Social investment</p>	<p>VCSE organisations may be eligible for social finance from a range of investors and lenders, offering favourable terms or direct payment for services.</p> <p>Example: loans at preferential rates, social impact bonds</p>	<ul style="list-style-type: none"> • Social finance in the form of loans isn't a substitute for income as it will be repayable. • Social finance is often more accessible to established, medium-large organisations that have a more robust internal infrastructure and track record. • The Good Finance website provides a useful introduction to social investment and where to get it

- i. **Design Council (2017).** Service Transformation [online]. Available at: <http://www.designcouncil.org.uk/our-services/service-transformation> [Accessed 05.06.2017]
- ii. **Design methods for developing services [online].** Design Council. Available at: <https://connect.innovateuk.org/documents/3338201/3753639/Design+methods+for+developing+services.pdf> [Accessed 28.03.2017]
- iii. **Snowden, D.; Boone, M. (2007).** A Leader's Framework for Decision Making. Harvard Business Review, 69–76.
- iv. **Kurtz, Cynthia F; Snowden, David J. (2003).** "The new dynamics of strategy: Sense-making in a complex and complicated world" (PDF). IBM Systems Journal. 42 (3): 462–483.
- v. **Zurich (2015).** Future proof: Ensuring the sustainability of your charity [online]. Available at: <http://newsandviews.zurich.co.uk/wp-content/uploads/2015/07/Sustainability-Risk-Guide.pdf> [Accessed 28.03.2017]
- vi. **Sustainable Development Unit (2010).** Commissioning for Sustainability – What GP Consortia need to know [online]. Available at: http://www.sduhealth.org.uk/search/resources.aspx?q=commissioning+for+sustainability&zoom_query=commissioning+for+sustainability [Accessed 28.03.2017]

Healthy London Partnership (HLP)

Healthy London Partnership formed in April 2015. It has been working across health and social care, and with the Greater London Authority, Public Health England, NHS England, London's councils, clinical commissioning groups, and Health Education England. HLP have united to amplify the efforts of a growing community of people and organisations that believe it is possible to achieve a healthier global city by 2020.

14 programmes have been established, including children and young people, social prescribing, mental health, homelessness and prevention. The prevention programme has thus far focussed on healthy communities, childhood obesity, health promoting places, workplace health, commissioning, and supporting delivery of local Sustainability and Transformation Partnerships.

Visit our website at: www.healthy london.org