



ADDING VALUE?

Reflections on payment by results for people with multiple and complex needs





Revolving Doors Agency works across England to change systems and improve services for people who face multiple and complex needs and come into repeated contact with the criminal justice system. The multiple problems faced by people in this situation can include a combination of poor mental health, substance misuse issues, homelessness, poverty, and family breakdown. Our mission is to share evidence of effective interventions and to promote reform of public services through partnership with political leaders, policymakers, commissioners, and experts, and by involving people with direct experience of the problem in all of our work.

For further information please visit:
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SUMMARY

The use of Payment by Results (PbR) models has been increasing across the public sector. Informed by stakeholder roundtables and a review of key literature on existing PbR schemes, this briefing reflects on how PbR is being applied to interventions for people who face multiple and complex needs, and raises a number of considerations for policymakers and commissioners looking to fund services for this group. It forms part of our SPARK project of research and dissemination, with related briefings focusing on: what service users with experience of complex needs identify as important for a 'good life'; the evidence-base for comprehensive services models for multiple and complex needs; and engaging partners to develop a 'whole-system' response to these issues locally.¹

Reflecting on our knowledge of 'what works' for this group, and the experience of the varied approaches to PbR developed so far, key considerations include:

- Service users should be involved in developing outcomes to ensure that they are holistic, realistic, and adequately reflect both needs and what is important to clients.
- Outcome measurement should support long-term recovery for a group that are often poorly served by existing services, rather than processing them towards a single outcome more effectively.
- Schemes must be adequately resourced to provide intensive, relational support up-front, helping to build a strong foundation for recovery.
- Commissioners and policymakers should take a 'whole system' view, pooling resources from a range of partners and supporting targeted approaches for this group to unlock savings from other parts of the system.
- PbR is not always an appropriate model, and significant challenges remain in applying this approach to services for those facing multiple and complex needs. Commissioners should have a clear rationale for why PbR is the right model to achieve their aims, and reflect on the experience of PbR schemes so far in considering alternative ways to support an outcome-focused approach.

Introduction

PbR has increasingly been applied as a mechanism for funding public services. It has formed a key part of the Coalition government's public service reform agenda, and is being employed by national and local commissioners as means of tackling entrenched social problems across a variety of policy areas, including: welfare to work; reoffending; substance misuse; housing and homelessness; and support for families facing multiple needs.

While few disagree with taking a more outcome-focused approach to the commissioning of public services in principle, the implementation of PbR models has proved challenging and controversial, with particular difficulties raised in relation to those facing more complex problems. Now, with a number of schemes such as the Work Programme and Supporting People PbR pilots coming towards their end and a general election approaching, it is important to learn lessons from how PbR has been applied to services for the most vulnerable people.

Informed by the literature on a selection of existing schemes and roundtables with relevant stakeholders and experts, this briefing focuses on a 'revolving door' group of individuals who face multiple and complex needs and come into repeated contact with the criminal justice system and emergency services. It highlights some of the key challenges in applying PbR approaches to this group, considers how some schemes have sought to overcome them, and raises key considerations in five areas:

1. Setting outcomes that incentivise a holistic, person-centred approach.
2. Ensuring outcome measurements and targets reflect the need for longer-term, flexible interventions supporting the recovery journey.
3. Setting payment structures that support investment in an intensive, assertive approach, and prevent 'parking' and 'creaming.'
4. Promoting a 'joined-up' approach.
5. Considering alternatives to PbR.

1. See <http://www.revolving-doors.org.uk/partnerships--development/spark/>

I: PbR and multiple and complex needs

I.1 Services for people facing multiple and complex needs

Many potential clients of current PbR schemes face multiple and complex needs – a combination of interrelated problems including poor mental health, substance misuse, homelessness, repeat offending, and poverty. Mainstream public services, working in silos, have traditionally struggled to respond effectively to these individuals, leaving people caught in a ‘revolving door’ cycle where they come into repeat contact with the police, criminal justice system, and emergency services. It is estimated that there are around 60,000 people in this situation at any one time across England, with many more at risk of entering it.

People facing multiple and complex needs experience:

- Chaotic lives
- Multiple and interrelated problems at once
- Exclusion from mainstream services, but high use of emergency and criminal justice services
- Social exclusion, and poor or non-existent family ties
- Economic exclusion and poverty
- Multiple relapses in recovery.

Despite these challenges, there is a growing understanding of (and evidence base for) the kind of interventions that can help people in this situation to overcome their problems and turn their lives around.³ Informed by desistance and recovery theory, as well as our research and development work in local areas, Revolving Doors Agency have identified 10 emerging principles for effective services working with this group:

1. **‘Someone on your side’:** Opportunity to build consistent, positive and trusting relationships.
2. **Assertive and persistent:** An assertive and persistent approach to engagement that does not give up on people. Continuous and consistent support over a prolonged period, responding positively and constructively to setbacks.

3. **Tailored:** A personalised approach which addresses the full gambit of an individuals’ needs. Is culturally sensitive to particular needs of specific groups including women, people of black and minority ethnic backgrounds and young adults.
4. **Building on strengths:** Supports the client to recognise and develop personal strengths, recognising more than a ‘bundle of needs and problems’.
5. **Coordinated and seamless:** Understands and links with other services, pulls services together around the client, helps clients to access and coordinate support through brokerage and advocacy. Ensures continuous support across key transitions, avoiding gaps in care.
6. **Flexible and responsive:** Flexible approach to support and an ability to react quickly in a crisis.
7. **‘No wrong door’:** If a service cannot provide support they take responsibility for connecting the client with someone who can.
8. **Trauma informed:** Understands the emotional and behavioural impact of traumatic childhood and life experiences on clients and vicarious trauma on staff, avoids re-traumatisation, facilitates reflective practice, builds resilience and supports recovery.
9. **Coproduced:** Designed in partnership with service users.
10. **Strategically supported:** Has the buy-in of senior, strategic stakeholders.

I.2 Payment by Results (PbR)

Increasingly, services working with this group are being commissioned on an outcomes-based approach. This includes the application of PbR, which provides a mechanism to pay providers according to the outcomes that they achieve. PbR has been seen as a means of solving a range of major public service problems in a difficult fiscal climate, with schemes being piloted or rolled out across a number of sectors including criminal justice, welfare to work, housing and homelessness, substance misuse, and family support.

In principle, PbR models offer a number of benefits, and ministers and other advocates have claimed that they:

- **Create greater efficiency and higher quality through an improved focus on outcomes,** rather than inputs and outputs.

2. See Audit Commission (2012) *Local payment by results. Briefing: payment by results for local services*. London: Audit Commission & Cabinet Office guidance available here: <https://www.gov.uk/government/publications/guidance-on-the-template-contract-for-social-impact-bonds>.

3. See Revolving Doors Agency and Centre for Mental Health (2015) *Comprehensive Services for complex needs: A summary of the evidence* for a review of the evidence-base for three models providing comprehensive support for multiple and complex needs.

- **Drive innovation** through a ‘black box’ approach, opening up public service provision to new providers, and allowing these providers to innovate.
- **Allow flexibility** by reducing service specifications, enabling providers to tailor their service to the client’s needs in order to achieve outcomes.
- **Share the risk** of preventative interventions, making investment more viable as the costs of failed interventions are not felt solely by the public purse.

However, despite enthusiasm from both the Coalition and the previous Labour government, there has been widespread criticism of PbR in practice. As a recent report by NCVO reflects:

“The principles of paying for impact and commissioning for outcomes are not commonly disputed. However, the way programmes are being designed and implemented is leading to questions about the viability of PbR as a method for improving public service delivery and for providing quality outcomes for service users.”⁴

Implementing PbR is certainly not as simple as it appears in principle. Guidance for commissioners from the Audit Commission and Cabinet Office highlights a range of significant challenges to balance in designing PbR models.⁵ Reflecting on the principles of effective support for multiple and complex needs identified above corroborates the view that these challenges are even more significant when applied to this client group.

Key difficulties include:

- **Defining outcomes or ‘results’, and keeping outcome metrics simple** - Where PbR schemes are considered to work more effectively with a limited number of simple, easily measurable outcomes, services for this group must respond to a range of problems at once.
- **Supporting long-term recovery** - While PbR can be effective in driving efficiencies by focusing providers on achieving short-term outcomes, services for this group must be flexible and invest in long-term engagement to tackle complex and entrenched problems.
- **Avoiding perverse incentives** - preventing providers from ‘gaming’ the system, including ‘parking’ the hardest (or most resource intensive) to help in their cohort and ‘creaming’ or ‘cherry picking’ the easiest cases to meet targets.

- **Attributing cause to a particular intervention** - Where PbR works best when outcomes can be closely linked to the activity of a particular provider, effective services for this group rely on the coordination of interventions from a range of partners, and on factors beyond the remit of traditional service provision.

These challenges have led many to question whether PbR is an appropriate model for this client group at all.⁶ Indeed, some have raised concerns that applying such models to services working with this group could be harmful:

“Many services don’t have easily definable nor final results. Great swathes of services don’t have positive outcomes – but act to mitigate the further worsening of negative conditions, social isolation, or social injustice... Such services could lose direct state investment, or needs assessment, or infrastructure support, or could be reframed around artificial and forced ‘results’, rather than the needs of the individual receiving the intervention. Users could be forced towards ‘results’ that are inappropriate, by providers needing to reach payment thresholds.”⁷

Section 2 reflects on the experience of applying PbR approaches to people in this ‘revolving door’ situation. Given the continued lack of evidence as to whether or not PbR works to improve outcomes for this client group, we do not make recommendations for or against PbR here. Rather, by reflecting on how existing PbR schemes have sought to overcome challenges, we raise key considerations for commissioners and policymakers seeking to fund services for people facing multiple and complex needs, which we hope will be helpful whether developing a PbR model or considering alternative outcome-based approaches.



4. NCVO (2014) *Payment by Results and the voluntary sector*, London, NCVO. p.4.

5. See Audit Commission (2012) *Local payment by results. Briefing: payment by results for local services*. London: Audit Commission.

6. See for example Crowe, D., Gash, T., Kippin, H. (2014) *Beyond Big Contracts: Commissioning public services for better outcomes*. London: Collaborate & Institute for Government.

7. NCVO *Payment by Results: Public Services* quoted in House of Commons Library note *Delivering public services: The growing use of Payment by Results* (standard note SN/HA/6621), p.6. available here: <http://www.parliament.uk/business/publications/research/briefing-papers/SN06621/delivering-public-services-the-growing-use-of-payment-by-results>.

2: Applying PbR approaches - key challenges and considerations

In theory, people in the 'revolving door' situation described above could qualify for a number of current PbR schemes simultaneously. However, within each of these they are likely to be identified as among the 'hardest to help' – those seemingly furthest from achieving the particular outcomes that the scheme focuses on.

There is huge variety in how different PbR schemes have developed and how they are configured. They vary from **large, centrally commissioned government programmes** using a 'prime provider' model and complicated supply chains (such as the Work Programme and Transforming Rehabilitation model), to **smaller-scale locally commissioned schemes** working with a more targeted cohort – with a range of **national pilot programmes** such as the Drug and Alcohol Recovery pilots or Supporting People pilots in-between.

There are different ways of financing schemes, such as **Social Impact Bonds** where the initial risk is taken by private social investors receiving a return when social outcomes are achieved,⁸ or **justice reinvestment approaches** which reward providers for reducing demand (and costs) on criminal justice agencies.

There is also huge variation in the detail of how contracts are designed in terms of:

- The type of outcome measures adopted by different schemes
- The number of outcomes specified
- The time-period over which outcomes are measured
- Whether outcomes are measured on an individual or a cohort basis
- The size of the cohorts involved
- The proportion of payment that is 'at risk' in the contract.

While the sheer variation between existing schemes makes it difficult to evaluate the impact of PbR approaches on this group as a whole, it also provides a plethora of different attempts to overcome identified challenges in applying outcome-based approaches to services for people facing multiple and complex needs. This provides some useful considerations for commissioners seeking a more outcomes-based approach to commissioning for this group. Key considerations for commissioners include:

2.1 Setting outcomes to incentivise a holistic, person-centred approach

Driving a focus on outcomes is central to PbR. However, while this sounds promising in principle, in practice commissioners have often found it difficult to set meaningful outcomes and measurable targets for this group. As the Institute for Government's Beyond Big Contracts report states:

“Provider incentives and rewards are likely to be increasingly tied to achieving specified outcomes or their proxies, despite a reported confusion and lack of clarity as to how outcomes might be defined and understood. As such, outcome-based commissioning does not always lead to a focus on meaningful outcomes that relate to user needs, particularly in cases of multiple, complex needs.”⁹

An overreliance on single and simple metrics that most suit PbR models risks pushing people to fit that single outcome, rather than taking the personalised and holistic approach that has been shown to work for this group.¹⁰

Overly simplistic outcomes can also encourage providers to prioritise working with those who are closer to achieving their target above those who face a combination of problems.

Approaches from existing schemes seeking to overcome these challenges include:

- **Using multiple outcomes:** the Troubled Families programme, for example, measures across a range of outcomes relevant to families facing multiple and complex problems, including offending; school attendance; anti-social behaviour; and employment, with a proportion of PbR payment attached to each.¹¹

8. See <https://www.gov.uk/social-impact-bonds>.

9. Crowe et al (2014) *Beyond Big Contracts*, p. 27.

10. See NCVO (2014) *Payment by Results and the voluntary sector* pp. 27- 32 for a fuller discussion of the impact of PbR models on personalisation.

11. Department for Communities and Local Government (2012) *The Troubled Families programme: Financial Framework for the Troubled Families programme's payment-by-results scheme for local authorities* London: DCLG, p.9.

London's rough sleeping SIB also employs a number of outcome indicators including reduced A&E visits, sustained employment for clients, and an overall reduction in rough sleeping.¹²

- **Co-designing outcomes:** In some of the more locally-driven schemes, such as the Supporting People pilots and some of the Drug and Alcohol pilots, commissioners have sought to engage with current and former service users as well as providers as they set their outcomes under a PbR approach.¹³ This could help to develop more person-centred outcomes that are realistic, and more accurately reflect the need that they are trying to meet – as the Dartington report on

the potential for outcome-based commissioning states, “a focus on outcomes which encourages service users to express the outcomes they want for themselves provides scope for user empowerment and choice.”¹⁴

- **A focus on quality:** Service users engaged in the research for our ‘A Good Life’ report highlighted the importance of focusing on the quality of outcomes achieved for this group if they are to form a strong foundation to long-term recovery and desistance, rather than a simple yes/no of whether this outcome is achieved.¹⁵ Measures of quality, including user satisfaction with the services, could form part of the outcome mix monitored for schemes.

EXAMPLE A: ‘BASKET OF OUTCOMES’: BIRMINGHAM CITY COUNCIL SUPPORTING PEOPLE PILOT¹⁶

Birmingham has undertaken an extensive payment by results pilot in housing support services between April 2013–March 2014. The pilot involved 20 providers, 21 services, and 1,468 service users across a range of services for socially excluded and vulnerable people, with payment by results representing 10% of the contract value.

The pilot and the outcome metrics were designed in consultation with providers, stakeholders, and a service user reference group (Citizens Panel). A framework with 18 outcomes was selected, five of which are agreed with each individual service user and payment linked to these outcomes. For each individual, outcomes will include:

- Two overarching outcomes relating to achieving independence (maintaining or obtaining suitable accommodation) and accessing primary health services

- One further mandatory outcome specific to each different client group
- Two further ‘client choice’ outcomes selected by the client. Each client could also select further ‘personal outcomes’ on top of these 5, which would not form part of the payment structure.

In many cases, payment for outcomes could also be made using a ‘distance travelled’ approach. Although the Birmingham City pilot does not form part of the national Supporting People pilot programme, similar approaches adopting multiple outcomes and involving service users on their initial design were also adopted in a number of these areas, including Stockport and Cheshire West and Chester.¹⁷

Adopting multiple outcomes, designed alongside service users, appears to provide a positive model in relation to the key principles of effective support described in section 1.1 above. Indeed, in some cases such as the evaluation of the Supporting People pilots it has been reported to have encouraged improvements in tailored support planning with clients.¹⁸

However, it should be noted that PbR schemes are widely considered to work best with simple outcomes and metrics,¹⁹ and such approaches could raise challenges

by adding to the complexity of the scheme and the administrative burden placed on both commissioners and providers. Both the Drug and Alcohol Recovery pilots and some of the Supporting People pilots have faced criticism for the complexity of their outcomes.²⁰ It may be that some of the benefits of such an outcome driven approach can be achieved without attaching payment to the outcomes specifically (see 2.5 on page 15), however if a PbR approach is adopted, there is a need to achieve a balance between an adequate range of outcomes and the need for simplicity in the model.

12. See Department for Communities and Local Government (2014a) *Qualitative evaluation for the London Homelessness Social Impact Bond: First Interim Report* London: DCLG, p. vii.

13. See DCLG (2014b) *Supporting People Payment by Results pilots: Final Evaluation* p. 34-35; Donmall, M., et al (2012) *Drug and alcohol PbR evaluation: scoping and feasibility report*. Manchester, University of Manchester.

14. Research in Practice for Adults (2008) *Outcome based commissioning and contracting Dartington*, Research in Practice for Adults.

15. Revolving Doors Agency (2015) *A Good life: Exploring what outcomes are prioritised by people facing multiple and complex needs*. London, Revolving Doors Agency.

16. See <http://www.birmingham.gov.uk/cs/Satellite?c=Page&childpagename=Housing%2FPageLayout&cid=1223092722073&pagename=BCC%2FCommon%2FWrapper%2FWrapper> for further details. Summary also available in DCLG (2014b) *Supporting People payment by results pilots: final evaluation*, p. 47-48

17. DCLG (2014b) *Supporting People Payment by Results pilots: Final Evaluation*, p. 34-35.

18. Ibid, p. 34-35.

19. Russell Webster's Blog, “The 3rd commandment of PbR: thy metrics shall be simple”, available at: <http://www.russellwebster.com/the-3rd-commandment-of-pbr-thy-metrics-shall-be-simple/>.

20. DCLG (2014b) *Supporting People Payment by Results pilots, Final Evaluation*, p.33-34.

Key considerations

- There are significant challenges in balancing the need for PbR models to use simple payment metrics with a desire to provide multiple outcomes and outcome types that more accurately reflect the needs of this group.
- Collecting data across a range of outcomes is important in taking a holistic view for clients with multiple and complex needs, whether payments are attached to these outcomes or not.
- User satisfaction outcomes could be explored as part of the picture, ensuring that service users are placed at the heart of the approach and there is a focus on quality from the service user's perspective.
- There is an opportunity for outcomes to be designed in partnership with services users, ensuring that the outcomes are realistic and reflect the needs that they are trying to meet.

2.2 Ensuring outcome measurement and targets reflects the need for longer-term, flexible interventions supporting the recovery journey

People facing multiple and complex needs often experience a lengthy and challenging journey to recovery (and if caught in a cycle of offending, to desistance from crime). This journey is likely to be characterised by multiple periods of relapse, and the most effective approaches offer flexible and open-ended engagement over long periods, with time for frontline professionals to build a strong relationship with the client.²¹

In this context, it is unrealistic to expect a provider to work intensively with someone for a long period if they only receive payment for a single, ideal, and potentially distant outcome such as complete desistance from crime, complete abstinence from substance misuse, or sustained employment. Furthermore, outcomes measured

over short time-periods place unrealistic pressures on providers working with this group, and on the service users themselves who are often in recovery from years of entrenched social exclusion. One recent evaluation, for example, found that “*in some instances it appears providers are forfeiting payment to ensure they can offer clients the support they need (e.g. through longer than average support periods)*”.²²

PbR schemes aiming to impact those facing multiple and complex needs must avoid driving a focus on short-term outcomes, and adopt measures which enable longer-term engagement that can support the recovery process. Existing schemes have employed a number of approaches:

- **Using intermediate/distance travelled outcomes:** Schemes as diverse as the large, centrally contracted Work Programme (see Example B on page 12) and the smaller, localised Drug and Alcohol pilots have used a model which includes some payment for progress towards outcomes. These measures can represent significant progress for an individual facing multiple and complex needs in terms of quality of life and harm reduction (e.g. reduced alcohol consumption; involvement in volunteering as a step towards employment). These could also include outcomes that are highly valued by commissioners and other public sector partners, including reduced demand on particular services (e.g. A&E or police custody) or sustained engagement with the service, which can be an achievement in itself with this complex client group.
- **Including ‘frequency’ measures:** Schemes such as the Peterborough Social Impact Bond targeting short sentenced prisoners have adopted a ‘frequency’ outcome measure, whereby providers are rewarded for reducing the number of offences across a cohort rather than a ‘binary’ measure that only rewards complete desistance from crime. Measures which recognise progress in terms of reduced frequency or seriousness related to the problem, rather than relying exclusively on binary measures, could remove some of the incentive towards short-termism and ‘parking’ of the most complex cases, while enabling providers to remain engaged with individual clients over longer periods and placing a higher priority on harm-reduction.

21. See Revolving Doors Agency and Centre for Mental Health (2015) *Comprehensive Services for complex needs: A summary of the evidence*.

22. DCLG (2014b) *Supporting people pilots: Final evaluation* p.39.

Key considerations

- There is a need to support long-term interventions with this client group, which funding streams focused entirely on a single payable outcome after one year are unlikely to meet.
- Relapse is part of the recovery journey. Schemes paid on a PbR basis must enable a flexible approach which does not penalise when clients re-engage with a service.
- Including intermediate or 'distance travelled' outcomes can help commissioners to incentivise longer-term support.
- In some cases, frequency measures or other measures on a cohort basis may encourage providers to work with more complex cases, and place a higher priority on harm-reduction.

2.3 Setting payment structures that support investment in an intensive, assertive approach, and prevent 'parking' and 'creaming'

Even where outcomes are carefully selected and measured, the way payments are attached to them in a PbR model can leave providers less willing to take the risk of investing in intensive support for more complex clients where they might be able to chase easier wins elsewhere. There are particular challenges for voluntary sector agencies, who often provide targeted and specialist intervention for this complex group but lack working capital and reserves to enable them to take on the higher risks involved under PbR.²³ As a recent NCVO report states:

“Voluntary organisations are...facing PbR payment models which do not provide sufficient incentives for working with service users who require more complex, sustained, or costly interventions, and there is concern about the impact which PbR is having on personalised outcomes.”²⁴

Schemes designed for a wider cohort, including many of the large centrally-commissioned schemes, face a higher risk of 'parking' and 'creaming', and it is a key criticism of the Work Programme that despite adopting a differential payment model, payments were not adequate to incentivise work with the more complex client groups (see Example B on page 12). Payments must be adequately structured to incentivise the intensive, assertive support required when beginning working with people facing multiple and complex needs. Approaches taken in some existing PbR schemes include:

- **Attachment fees/fees for service:** As the audit commission briefing on local PbR acknowledges “small financial incentives can have large positive effects, so it may not be necessary to put all the payment at risk”²⁵. In reality very few schemes adopt a 'pure' PbR approach whereby 100% of the provider's payment depends on outcomes achieved, with many schemes targeted at more complex clients including substantial attachment fees. Some Supporting People pilots, for example, adopted an 80% fee for service, with Birmingham offering 90%. Although this lessens the PbR incentive (and the transfer of risk), this may help to make upfront investment in intensive support for this group more viable.
- **Differential payment:** Some models such as the Drug and Alcohol Recovery pilots and the Work Programme (see Example B on page 12) offer a differential payment model, with greater rewards available for more 'complex' cases. However, this has often proved difficult to implement. In the case of some of the Drug and Alcohol pilots it has complicated the model, and been criticised as impacting negatively on the service delivered to clients as their first contact is a bureaucratic assessment to place them in a payment group, rather than accessing support.²⁶
- **Targeted schemes:** Schemes that are targeted more specifically at this group may avoid this problem, with a representative from London's Rough Sleeping SIB at a recent roundtable commenting that there was no “low-hanging fruit” in the cohort, so the scheme was necessarily tailored to work with those with the most complex needs.²⁷ As with the Troubled Families programme, criteria for selection for certain schemes could be targeted specifically at those facing the most complex problems and driving high demand for a range of services locally, rather than starting from the perspective of a particular service silo.

23. See NCVO (2014) *Payment by Results and the Voluntary Sector* p. 10.

24. *Ibid.*, p. 4.

25. Audit Commission (2012) *Local Payment by Results*, p. 16.

26. Donmall, M., et al. (2014) *Evaluation of the Drugs and Alcohol Recovery Payment by Results Pilot Programme: Interim Summary Report*. Manchester: University of Manchester, p. 4.

27. DCLG (2014a) *Qualitative Evaluation of the London Homelessness Social Impact Bond: First Interim Report*. London: DCLG.

- **Social Impact Bonds (SIBs)** also provide a means of accessing up-front investment from social investors and removing the risk directly from the provider. This can provide a means of accessing investment to test out new approaches for this group and helping to build the evidence-base where commissioners are uncertain of the evidence for a particular approach and unwilling to take the initial risk.²⁸

Cutting across all of these themes is the need for **appropriate pricing** to ensure that the intensive work required is adequately resourced. For this client group, who are traditionally poorly served by support services, commissioners should avoid the short-term focus of competing contracts on cost, and focus on achieving value by improving long-term outcomes. Taking a broader view, commissioners can make the case for intervention in terms of reduced demand elsewhere (in particular criminal justice and emergency services), leveraging funds for their scheme from the services and budgets that are likely to benefit (see 2.4).

Key Considerations

- Payment structures must provide adequate resources. Value for money in tackling multiple and complex needs will be achieved by working with clients to support long-term recovery, rather than processing them towards a single outcome more efficiently in the short-term.
- Attachment fees reduce the PbR incentive, but could enable providers to invest in the kind of intensive and assertive support that is required to engage with this group.
- Targeted schemes can be tailored more effectively to this complex client group, offering fewer opportunities for 'parking' and 'creaming' by focusing exclusively on this group, and starting with the client's needs.

EXAMPLE B: LESSONS FROM THE WORK PROGRAMME

The Work Programme is a centrally commissioned national PbR programme aiming to move the long-term unemployed into sustainable employment. It is delivered across 18 regional areas on a 'prime provider' model, with private and large voluntary sector prime providers sub-contracting to other agencies to provide more specialist support. The PbR element of the contract has grown each year, and as of 2014 the Work Programme is 'pure' PbR, with 100% of payment dependent on meeting the chosen outcome measures.

The design of the payment structure aimed to learn from previous PbR approaches in the welfare to work sector, including two key features:

- **Use of 'distance travelled' measures**, with an initial payment on job attachment and further payments for sustained employment.
- **A 'differential payment' model**, intended to encourage providers to focus resources on those furthest from employment by placing clients in different payment groups and increasing the financial incentive for those judged furthest away from the labour market (including homeless people, prison leavers, most ESA claimants, and former Incapacity Benefit claimants).

However, despite these measures a recent National Audit Office report concluded that "the Work Programme has not improved performance for Employment and Support Allowance claimants". While the scheme is now performing reasonably well for most JSA claimants, only 11% of the main ESA payment group who have completed the Work Programme have secured a job outcome, while investment by prime contractors in the 'hardest-to-help' groups has reduced by an average of 54% per person from their original bids.²⁹ Evaluations and reports from support providers suggest that Work Programme clients with complex needs are often being 'parked', with a CESI/DWP evaluation concluding that job-ready participants are "frequently intentionally" seen more often than those with "high or multiple barriers".³⁰

Attendees at our roundtables felt that the differential payment model was neither adequately designed, nor resourced to work with more complex clients. This corroborates the finding of the National Audit Office, who found that providers were not using the payment groups to help target support.³¹ Some providers have also reported that they did not feel they should be the ones helping the 'hardest to reach',³² suggesting that people facing more complex needs and barriers to employment should receive a more targeted approach.

28. See Roncile et al (2014) *Social Impact Bonds: The state of play* for further information on the opportunities and challenges around SIBs and where this approach may be appropriate. Available here: <http://www.biglotteryfund.org.uk/sioutcomesfunds>.

29. National Audit Office (2014) *Report – the Work programme, July 2014* pp. 29-36.

30. CESI/DWP, *Work Programme Evaluation: Findings from the first phase of qualitative research on programme delivery*, p.111.

31. National Audit Office, *Report – the Work Programme, July 2014*.

32. Cited in Feargal McGuinness and Aliyah Dar, *Work Programme Briefing from the House of Commons Library*, 23 June 2014.

2.4 Promoting a joined-up approach

Responding effectively to people with multiple and complex needs requires a joined-up approach, coordinating access to a variety of interventions that can address the full range of their problems and enable them to turn their lives around. A significant challenge in coordinating responses to this group currently is that mainstream public services too often operate in silos, which are reinforced by their budgets and funding schemes, their systems of accountability, and the departmental structures of Whitehall.

In theory, PbR presents an opportunity to support better coordinated interventions by opening up service delivery to a range of providers and allowing them innovate and work in partnership, rewarding them as this approach achieves the expected results. However, there is currently a significant danger that existing PbR schemes are simply recreating and reinforcing silos as they continue to be developed in isolation by individual commissioners and government department using their own methods and primary aims. People facing multiple and complex needs could potentially fit into a number of current PbR schemes simultaneously, however as the 'hardest to help' in each of these schemes evidence suggest that they are missing out.

In moving towards outcome-based models, commissioners should seek to join up funding streams and work with partners with a shared interest in tackling multiple and complex needs. Promising approaches include:

- **Joint commissioning and pooled budgets:** As the Audit Commissions local PbR briefing states, "*if the outcomes [of a PbR scheme] are affected by other public, private, or voluntary services, then those bodies may need to be joint commissioners*".³³ The development of community budgets and other means of pooling funds locally provides a promising model for improved funding of services for this group. The Tri-borough community budget (see box c below) has developed a PbR model targeting short-sentenced prisoners, and other models to joint-commission services for this group around shared outcomes should be explored by local commissioners.
- **Reinvesting savings from reduced demand:** Evidence suggests that effective services for this group (see I.1 on pages 4 and 5) can reduce demand on emergency and criminal justice services.³⁴ In some areas, a form

of PbR has been piloted providing a mechanism to reinvest savings from reduced demand in preventative interventions in the community. The Youth Justice Reinvestment Pathfinder schemes, for example, aimed to reduce the use of custody for young people and encourage better use of alternative interventions and prevention. The scheme offers an up-front payment (whether to an independent provider or a local authority) to provide an intervention, with a clawback model if this service fails to reduce demand.³⁵ While implementation challenges mean that different pilot schemes have generated different results,³⁶ commissioners should continue to consider how to reinvest savings from reduced demand, taking a 'whole system' view and monitoring demand on other services to help make the case for shifting funds and providing greater investment in community-based preventative work.

EXAMPLE C: REDUCING REOFFENDING IN THE TRI-BOROUGH COMMUNITY BUDGET

London's Tri-borough Whole Place Community Budget (Kensington and Chelsea, Hammersmith and Fulham and Westminster) has developed a two year reducing reoffending pilot, which has been operating since October 2013. Previously, different agencies were spending around £6 million on nine different reducing reoffending programmes, with reconviction rates still rising. By coordinating this funding with further support from the Mayor's Office for Policing and Crime, they have developed a service aiming to provide personalised, comprehensive, through-the-gate support targeting short-sentenced prisoners: the group with the highest reoffending rates, many of whom face multiple and complex needs.³⁷

The service is provided by voluntary sector organisations with a PbR element, with 25% of the contract value made in quarterly payments dependent on interim crime and health outcomes (a reduction in arrests for key client groups and sustained drug treatment and/or care plan in place) and an eventual 10% outcome payment based on an overall reduction in reconviction events for short-sentenced prisoners. The services includes custody referral provision; through the gate support; and a personalised 'key worker' approach, including access to a personalised commissioning fund enabling the provider to request funding for bespoke services to support individualised packages of care.

33. Audit Office (2012) *Local Payment by Results* p. 8.

34. See Revolving Doors Agency and Centre for Mental Health (2015) *Comprehensive Services for complex needs: A summary of the evidence*.

35. Wong, K. et al (2013) *Youth Justice Reinvestment Custody Pathfinder: Findings and delivery lessons from the first year of implementation*. Sheffield: Sheffield Hallam University

36. Final evaluation of the youth and adult justice reinvestment pilots forthcoming. Latest reports and statistics available here: <https://www.gov.uk/government/publications/justice-reinvestment-pilots-second-year-results>.

37. See http://communitybudgets.org.uk/wp-content/uploads/2013/02/Tri-borough-Reducing-Reoffending-Business-Case_FINAL-004.pdf and Westminster Council, Executive Decision Report, 7 Jan 2013: <http://www3.westminster.gov.uk/CSU/Cabinet%20Member%20Decisions/Community%20Protection%20and%20Premises/3%20-%20Reoffending%20Service/Tri-borough%20Reducing%20Reoffending%20Service.doc>.

Key Considerations

- There are significant risks that PbR schemes can simply reinforce the existing silos that have led to poor service responses for this group.
- Commissioners should seek to pool funds around shared outcomes to develop targeted approaches to this group.
- Savings come from taking a 'whole system' view and reducing high demand on emergency and criminal justice services in the long-run.
- Monitoring reduced demand on criminal justice and emergency services can play a key role in making a case for further investment in preventative community-based services. Reinvestment approaches may also prove a means of leveraging funds directly into preventative work.

2.5 Considering alternatives to PbR

A lesson from the literature is that if PbR schemes are to work, they must be carefully designed, with clear aims and a strong rationale for why it is the most appropriate way to meet these aims.³⁸ However, a number of recent reports corroborate the view of some attendees at our roundtables that some commissioners are adopting PbR because it is 'fashionable' rather than as part of a clear and thought out approach, and there is concern that it "is being applied to the wrong sort of services and for the wrong reasons".³⁹ Furthermore, evaluations of existing schemes have often identified particular groups within their cohort (often those in crisis or facing complex needs) for whom it is felt that the PbR approach adopted is not working or is inappropriate.⁴⁰

Throughout this briefing, we have reflected on the experience of existing schemes in applying PbR to services for this complex client group, and raised a number of considerations for commissioners and policymakers from that experience.

However, it should be noted that many of the approaches taken to try and overcome these significant challenges have taken them further from a 'pure' PbR approach:

- Adopting multiple outcomes rather than a single, simple focus
- Paying large attachment fees that reduce the 'PbR' element
- Paying providers for intermediary outcomes that reflect progress made, rather than offering a strictly 'black box' approach.

As guidance from the Audit Commission makes clear, "PbR is not the only type of contract that rewards good performance, and commissioners should always consider other options alongside PbR to choose the most suitable approach".⁴¹ In many cases, it is likely the aims of commissioners considering PbR (a more flexible approach; improved focus on outcomes; a focus on recovery and reduced demand) could also be met without attaching significant payment to outcomes. Commissioners should consider applying the key considerations set out throughout this briefing in developing alternative models to drive an outcome-focused approach, and have a clear rationale as to why PbR represents the most appropriate model if it is adopted.⁴²

Key Considerations

- PbR is not always the most appropriate approach, and significant challenges remain in applying PbR to service for people facing multiple and complex needs.
- Many of the features developed by existing PbR schemes to overcome the challenges of applying PbR to this group have taken them further from applying a 'pure' PbR approach.
- Commissioners should consider alternatives to paying by results for this group, while maintaining a focus on outcomes and monitoring cost-benefit to the system as a whole.

38. See Audit Commission (2012) *Local payment by results* & Cabinet Office (2013) *Guidance on the template contract for social impact bonds and payment by results*

39. NCVO (2014) *Payment by Results and the Voluntary Sector*, p.7.

40. See for example DCLG (2014b) *Supporting People Pilots: Final Evaluation* pp.33-37 & DWP (2014) *Work Programme evaluation: operation of the commissioning model, finance and programme delivery*.

41. Audit Commission (2012) *Local payment by results* p. 3.

42. Although a full consideration of alternatives is beyond the remit of this paper, see Pike, M. (2014) *Mass collaboration: How we can transform the impact of public funding* London: IPPR for an interesting discussion of alternatives harnessing local collaboration and 'big data'. Available here: <http://www.ippr.org/publications/mass-collaboration-how-we-can-transform-the-impact-of-public-funding>.



Conclusion

PbR approaches aim to drive greater efficiency, greater flexibility, and an improved focus on outcomes. However, their application across different sectors varies greatly, and schemes have often faced significant challenges in making PbR models work for people who face multiple and complex needs. In reflecting on our knowledge of 'what works' for this group, as well as the experience of PbR schemes so far, we have raised a number of considerations for commissioners who are seeking to fund services for people facing multiple and complex needs.

These include:

- The potential for involving service users in setting commissioning outcomes, ensuring the range of outcomes selected accurately reflects their priorities and need.
- Understanding the long-term investment required to support recovery from multiple and complex needs, and measuring 'distance travelled' rather than simply chasing short-term results.
- The need for appropriate pricing and resourcing to drive the right incentives, acknowledging that real savings for this group come not from processing people more efficiently in the short-term, but through working intensively with them to support recovery and reduce use of costly emergency and criminal justice services in the long run.
- Pooling resources with partners and leverage funding to support targeted interventions that can be tailored more effectively to address the needs of this client group.

Crucially, it is important to note that PbR is not 'the only game in town', and there remain significant challenges in applying it to this complex client group. Commissioners opting for this approach should have a clear rationale for adopting PbR mechanisms, and engage extensively with service users and providers to set the framework. However, they should also learn from the lessons highlighted above in considering alternative outcome-based commissioning approaches which are conducive to encouraging the kind of intensive, personalised, joined-up, long-term and relational support that is most effective in working with the complex client group.

Appendix: Summary of key considerations

1. There are significant challenges in balancing the need for PbR models to use simple payment metrics with a desire to provide multiple outcomes and outcome types that more accurately reflect the needs of this group.
2. Collecting data across a range of outcomes is important in taking a holistic view for clients with multiple and complex needs, whether payments are attached to these outcomes or not.
3. User satisfaction outcomes could be explored as part of the picture, ensuring that service users are placed at the heart of the approach and there is a focus on quality from the service user's perspective.
4. There is an opportunity for outcomes to be designed in partnership with services users, ensuring that the outcomes are realistic and reflect the needs that they are trying to meet.
5. There is a need to support long-term interventions with this client group, which funding streams focused entirely on a single payable outcome after one year are unlikely to meet.
6. Relapse is part of the recovery journey. Schemes paid on a PbR basis must enable a flexible approach which does not penalise when clients re-engage with a service.
7. Including intermediate or 'distance travelled' outcomes can help commissioners to incentivise longer-term support
8. In some cases, frequency measures or other measures on a cohort basis may encourage providers to work with more complex cases, and place a higher priority on harm-reduction.
9. Payment structures must provide adequate resources. Value for money in tackling multiple and complex needs will be achieved by working with clients to support long-term recovery, rather than processing them towards a single outcome more efficiently in the short-term.
10. Attachment fees reduce the PbR incentive, but could enable providers to invest in the kind of intensive and assertive support that is required to engage with this group.
11. Targeted schemes can be tailored more effectively to this complex client group, offering fewer opportunities for 'parking' and 'creaming' by focusing exclusively on this group, and starting with the client's needs.
12. There are significant risks that PbR schemes can simply reinforce the existing silos that have led to poor service responses for this group.
13. Commissioners should seek to pool funds around shared outcomes to develop targeted approaches to this group.
14. Savings come from taking a 'whole system' view and reducing high demand on emergency and criminal justice services in the long-run.
15. Monitoring reduced demand on criminal justice and emergency services can play a key role in making a case for further investment in preventative community-based services. Reinvestment approaches may also prove a means of leveraging funds directly into preventative work.
16. PbR is not always the most appropriate approach, and significant challenges remain in applying PbR to service for people facing multiple and complex needs.
17. Many of the features developed by existing PbR schemes to overcome the challenges of applying PbR to this group have taken them further from applying a 'pure' PbR approach.
18. Commissioners should consider alternatives to paying by results for this group, while maintaining a focus on outcomes and monitoring cost-benefit to the system as a whole.

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