Breaking down silos, joining up budgets: The future of Payment-By-Results

Dr Vincent Pattison, Ingeus
CESI Welfare to Work UK Conference 2011
Thursday 30th June
Departmentalisation can lead to fragmentation

A more holistic approach to commissioning is required
“An advanced form of performance management where providers are paid based on the delivery of outcomes or outputs rather than inputs or processes”.

**Input**: the specific intervention: e.g. numeracy training

**Output**: product of intervention: e.g. qualification

**Outcome**: changes attributable to output: e.g. employment

---

**Key elements of Payment By Results systems**

- Innovation
- Black-Box
- Personalisation
- Risk-Sharing
- Reimagining-State
- Accountability
- Outcomes
- Align-Incentives
- Partnership
The PBR system is well developed in UK welfare-to-work. It has evolved with the key elements of the current system having gone through several iterations of learning and development to create a mature market at scale.

Given the fiscal climate the innovative design features of the Work Programme are being monitored across other policy areas.

Chris Grayling: “The Work Programme is probably the biggest payment-by-results scheme in the world”
Payment by results is expected to be used across a broad range of public service delivery as the government attempts to deliver higher quality services through contestability and improve life outcomes in straitened fiscal times.

**David Cameron:**
“We will create a new presumption that public services should be open to a range of providers competing to offer a better service” (2011).

**Paul Kirby, Head of Policy Development No 10:**
“Payment by results should be implemented across the public sector without exception” (2010).

**£81bn**
Contestability driven by the need to reduce costs.

**Where?**

- Early Years Learning
- Offender Management
- Healthcare
Government aims to deliver higher quality services and improve life outcomes whilst reducing public spending. However, a departmentalised approach to social policy provision does not align with the reality of peoples lives where the drivers of life outcomes are often interconnected and mutually reinforcing.

**Possible PBR systems**

- Work (DWP)
- Health (DoH)
- Community (DCLG)
- Justice (MoJ)

**Example of multiple social outcomes**

Fred had been unemployed for 5 years. He had a drug and alcohol addiction caused by mental health problems which had led to previous criminal convictions. Through work with our specialist he was able to control his addiction and manage his mental health condition on his journey back to sustainable employment.

Amina had been unemployed for four years since moving to the UK from Pakistan. She had physical health problems and English language difficulties. Through work with our specialists she was able to manage her health condition and learn English on her journey back to sustainable employment.
Breaking down silos, joining up budgets

Government recognises this disconnect to some extent. However, to deliver more efficient and effective services government and its relevant stakeholders should look at how the PBR systems could take a more joined up approach across departmental policy and budget silos to avoid inefficiencies and replication in design and delivery.

As more than one department has an interest in social outcomes it is important to identify possible social outcome synergies across departments. This will enable the emergence of joined up and co-ordinated commissioning to reward the multiple outcomes of joined up service delivery.
Creating a PBR system which breaks down departmental silos and joins up budgets and expertise is essential for the delivery of holistic and more streamlined public sector provision. However, whilst the possibilities are great significant challenges remain.

**Opportunities**

- High quality public services whilst reducing public spending through streamlined provision: (i) avoid replication of services; and (ii) reduce disconnect between effort and outcome;
- Service provision is built around the realities of peoples lives;
- Allows the sharing of diagnostic information across departments for more holistic provision;
- Ensures providers don’t take on multiple risks across multiple departments thereby allowing a market to develop.

**Challenges**

- How to align a PBR system across policy spaces as: (i) roll out path dependent and (ii) markets matured differently?
- How would outcomes be determined and prioritised and over what time frame? Outcomes must be definable, measurable, attributable (causal) and verifiable.
- How would deadweight and issues of ‘cream skimming’ be minimised?
- How would the approach be funded?
- Appetite for ‘bleeding at the edges’?