Delivering public services: The growing use of Payment by Results

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Section Home Affairs Section

The Payment by Results (PbR) approach to delivery of public services is not new – indeed, it was announced in the Labour government's plans for NHS reform more than a decade ago. PbR projects fall into two types: those run on the prime provider model (such as the Work Programme) and those using Social Impact Bonds (such as the pilot scheme at Peterborough Prison to finance rehabilitation work with short term prisoners, the first project operating under a SIB).

Nor is PbR without controversy. Advocates of the PbR approach tend to depict its advantages in terms of reforming and improving public services, by delivering more for less and by bringing in a wider range of service providers from the public, private and third sectors. Critics of the PbR approach, though, express concerns about whether it will by its nature tend to favour larger providers, thus squeezing out small and medium-sized providers (such as local charities and third sector organisations) and whether it will induce providers to "cream" the more tractable cases and "park" the less tractable ones. There is debate, too, about what constitutes a "result", by which service providers will be paid.

This note examines some of the arguments for and against PbR and looks at current and planned projects in rehabilitation, welfare to work, the NHS, children's social services and with rough sleepers and with vulnerable young people.

1 Payment by Results in public services

The Payment by Results (PbR) approach to delivery of public services is not new ─ indeed, it was announced in the Labour government's plans for NHS reform more than a decade ago. Both they and the current government have endorsed the PbR approach as one that will (its adherents argue) achieve better outcomes at lower cost to the taxpayer. Most recently, the Government has launched a consultation on reforming probation and rehabilitation by handing the management of low and medium-risk offenders to private firms, voluntary and charitable organisations, to be paid by results.

Nonetheless, the approach remains contested and controversial. Commentators have cast doubt on whether the current government will, as it says it intends, be able to increase the coverage of PbR. Concerns have also been expressed about whether the PbR approach will by its nature tend to favour larger providers, leaving small and medium-sized providers ─ such as local charities and third sector organisations ─ unable to compete for contracts and whether providers will "cream" the more tractable cases and "park" the less tractable ones. Nor is defining the "result", by which service providers will be paid, always straightforward.

PbR projects fall into two types: those run on the prime provider model (such as the Work Programme) and those using Social Impact Bonds (SIBs, such as the pilot scheme at Peterborough Prison to finance rehabilitation work with short term prisoners, which was the first project operating under a SIB).

1.1 The case for Payment by Results

A report by accountants KPMG argued for the aggressive, consistent and systematic implementation of "payment for success". It presented the arguments in terms of delivering more for less and empowerment:

> Public services across Europe face enormous challenges – how to deliver more for a lot less; how to protect what the public really values in their services, rather than just what they're used to getting; how to re-motivate demoralised public service staff and providers; how to create a sustainable culture of bottom-up, fast paced and ambitious reform. The presenting issue is about levels of spending, but the real issues are about shifting control from providers to their customers and from bureaucrats to enterprising professionals. This is the only way we can enable people [to] get what they need from public services, albeit for less.[1]

Amongst the UK's problems, as identified in the KPMG report, were that public reform had not been radical and it had not linked good ideas with financial consequences. Payment for success (it argued) should be based on three principles:

- Distinct customer roles should be created for personal., local and national services and customers should be empowered to decide what they want and from whom
- PbR should be implemented throughout the public sector (and existing PbR schemes should be made more forceful and sophisticated) and

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1 Alan Downey, Paul Kirby and Neil Sherlock *Payment for Success – How to shift power from Whitehall to public service customers* KPMG, 2010: page 2

- Providers of public services should have near-total freedom to respond to their customers and to the PbR regime.[2]

An article in the *Economist* summed up the claimed benefits of PbR and some of the potential difficulties in applying that approach in the context of reducing reoffending:

> Payment-by-results schemes are supposed to encourage a focus on outcomes rather than inputs, spur innovation and save money by rewarding only what works. But the approach has its critics. The measure of success — whether someone is reconvicted within a year or not — is crude. Offenders usually desist from crime only after many twists and turns.[3]

Some think tanks too have been vocal in support of PbR, suggesting that it represents a new and welcome approach to delivering public services and sharing and managing risk.

In its report *Prison Break*, the Social Market Foundation (for example) set out its rationale for PbR, arguing that central government should not be micro-managing processes but should instead be concentrating on outcomes and shifting risks and rewards to the private and third sectors:

> The focus of central government needs to shift away from micro-managing *processes* and towards defining the desired *outcomes* to be achieved. This change of focus needs to be set within an outcome-based commissioning approach that puts the financial risks and rewards for reducing re-offending onto private and third sector providers. Harnessing the profit motive to desirable outcomes through payment-by-results, while keeping process requirements to a minimum, will have five important effects. It will:
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> - allow greater flexibility of provision to allow tailoring and targeting of resources;
> - encourage innovation among providers;
> - join up the delivery of disparate services;
> - strengthen central accountability for expenditure; and
> - provide the opportunity for private investment into public services at a time of public spending retrenchment.[4]

Continuing in this theme, the Social Market Foundation pointed to the potential benefits of harnessing the profit motive:

> Harnessing the profit motive to desirable outcomes, as well as keeping process requirements to a minimum, drives five important effects: first, it creates greater flexibility of provision to allow tailoring and targeting of resources; second it encourages innovation among providers; third it joins up the delivery of disparate services; fourth it strengthens central accountability for expenditure; and finally, it provides opportunity for private investment into public services.

2 Alan Downey, Paul Kirby and Neil Sherlock *Payment for Success – How to shift power from Whitehall to public service customers* KPMG, 2010: page 3

3 "Reducing reoffending: After the big house" *The Economist*, 24 November 2012

4 Ian Mulheirn, Barney Gough and Verena Menne *Prison Break Tackling recidivism, reducing costs* Social Market Foundation, March 2010: page 9

There could be other benefits (the authors went on) in innovation, tailoring services to individuals' needs and encouraging a joined-up, end-to-end service. There might also be better incentives for private investment and central accountability for public expenditure.[5]

More recently, a report published by Policy Exchange, *Expanding Payment-by-Results: Strategic choices and recommendations*, raised questions about the purpose of PbR in the criminal justice system:

> Fundamentally, many of the choices [about future policy direction] can only be determined with reference to the overarching purpose of the PbR policy. Is PbR intended to cut the number of crimes committed by offenders, or to cut the costs of those crimes incurred by the state? Is it a scheme for attracting additional investment into the criminal justice system to reduce demand (a so-called justice reinvestment approach), or simply a method for getting greater value out of existing, declining budgets? Or do policymakers see the real prize of PbR as being culture change – and the creation of an outcome-focused and more integrated criminal justice system?
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> In reality, the answer should be a combination of all these – but we believe policymakers must, in the aftermath of the pilot phase, go back to first principles and decide what weight to give to these often competing aims.[6]

The Policy Exchange report identified four conditions that would have to be met if PbR in the criminal justice system were to work in the same way as for welfare-to-work. There would have to be:

- a direct link between the measurement of reoffending and the associated avoided costs
- reductions in demand directly attributed to the providers' interventions
- savings capable of being captured and
- savings actually captured.[7]

Cultural change, Policy Exchange suggested, would be a "significant prize":

> Policy Exchange believes a key goal for PbR should be to reform public sector working practices, culture and performance management.[8]

A March 2013 posting on the Institute for Government blog, though, suggested that civil servants were now less convinced of the merits of PbR and that, following the Public Accounts Committee's criticisms of the Work Programme,[9] officials at the Treasury and Cabinet Office were losing enthusiasm for it:

> We will have to wait and see, but it already appears that the broader Whitehall position has shifted – with the starting assumption no longer that PbR is a panacea.

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5. Ian Mulheirn, Barney Gough and Verena Menne *Prison Break Tackling recidivism, reducing costs* Social Market Foundation, March 2010: pages 47-9
6. Max Chambers *Expanding Payment-by-Results: Strategic choices and recommendations,* Policy Exchange, 2013: page 16
7. Max Chambers *Expanding Payment-by-Results: Strategic choices and recommendations,* Policy Exchange, 2013: page 17
8. Max Chambers *Expanding Payment-by-Results: Strategic choices and recommendations*, Policy Exchange, 2013: page 37
9. Public Accounts Committee, *Department for Work and Pensions: Work Programme outcome statistics,* 22 February 2013, HC 936 2012-13

> This is a good thing. The truth is that PbR was vastly oversold in the first place. Variously it has been claimed that PbR can help to reduce public expenditure, improve efficiency, transfer risk to the private sector, encourage a more 'joined-up' approach, and drive innovation. There is little or no evidence for any of this (yet) although I'm more willing to believe the latter items in that list.[10]

1.2 Criticism of PbR: is the approach inherently flawed?

Some commentators have argued that the PbR approach is inherently flawed, has numerous faults and shortcomings and will not (as its advocates believe) improve the quality of public services.

An article on the *Guardian Professional* website, for example, has argued that a pre-occupation with outcomes can lead (perversely, perhaps) to a worse service:

> Here's why: payment by results does not reward organisations for supporting people to achieve what they need; it rewards organisations for producing data about targets; it rewards organisations for the fictions their staff are able to invent about what they have achieved; it pays people for porkies.
>
> (...)
>
> There's a growing momentum behind the understanding that outcomes-based performance management in general – and payment by results, in particular – is dangerous idiocy. It makes good people do the wrong things, and then forces them to lie about it.[11]

The National Council for Voluntary Organisations has drawn attention to the difficulty in defining a "result" and deciding whose definition should be used:

> 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. These aren't 'results' in themselves, but provide important preventative and welfare support to individuals and communities. 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.[12]

The Howard League for Penal Reform has voiced similar concerns. In its briefing for the Westminster Hall debate on the probation service in March 2013, it argued that there were numerous potential problems with the Government's stated aim of transforming rehabilitation through extensive use of PbR.[13] Amongst these were the risk of "cherry-picking" and the lack of clarity about outcomes. According to the Howard League:

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10 Adrian Brown, *Disappointment by results*, Institute for Government blog, 5 March 2013

11 Toby Lowe "Payment by results – a 'dangerous idiocy' that makes staff tell lies" *Guardian Professional*, 1 February 2013

12 NCVO *Payment by Results: Public Services* (undated, accessed 26 April 2013)

13 HC Deb 13 March 2013 c105WH. The Government's plans for "transforming rehabilitation" are discussed in Library standard note SN/HA/6575 *Reform of probation services* (11 March 2013).

> Desistance from crime is rarely a straightforward process. A more sophisticated reoffending measurement which takes into account reduced and reducing frequency and seriousness of offending is required.[14]

The Howard League argued too that the Ministry of Justice's national commissioning model was likely to favour large private companies, thus making it more difficult to create a diverse and sustainable market. In its consultation paper on transforming rehabilitation, though, the Ministry of Justice had said that it wanted to preserve the role of small and medium-sized enterprises and the voluntary and community sector (VCS), who had a "crucial role to play in embedding work with offenders into local initiatives and communities". The Ministry of Justice wanted (it said) to see partnerships:

> We are keen to see partnerships between VCS organisations, or private and VCS providers, coming forward to compete for contracts.[15]

That an offender released from prison might be involved with several providers supplying various PbR projects – such as rehabilitation, Work Programme and an NHS treatment programme – raised (the Howard League suggested) further questions about the complex causes of offending and who, if that person did not reoffend, should receive the payment.[16] The National Association of Probation Officers, meanwhile, has argued that, in the PbR scheme at Peterborough prison, the results will be skewed, as it will be the most motivated prisoners who join the scheme, and that this scheme has depleted the social and charitable capital available for other projects:

> It is highly likely that the reconviction rate will be much less for the more motivated offenders. It is highly unlikely that private investors would pump money into the scheme until it was shown that the financial risk was low. It will therefore be necessary to have a number of consecutive pilots before such substantial investment begins, if at all.
>
> (...) The Peterborough scheme alone has already exhausted available social capital from charitable foundations. Any future funding therefore would have to come from the markets.[17]

Again in the context of the Peterborough prison project and plans to make much greater use of PbR as part of the "rehabilitation revolution", a report by CentreForum pointed to the risks inherent in the PbR approach:

> [To] seek to move quickly to a full PbR approach risks discrediting the policy by running the risk of failure of providers, poor value for money for the public sector and frustrating the development of a diverse range of providers.[18]

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[14] Desistance from crime is discussed in Library Research Paper RP12/71 *Reducing reoffending: the "what works" debate* 21 November 2012

[15] Ministry of Justice *Transforming rehabilitation: A revolution in the way we manage offenders* Consultation Paper CP1/2013, Cm 8517, January 2013: page 16

[16] Howard League for Penal Reform *Briefing for "Probation Service" debate in Westminster Hall, Wednesday 13 March 2013* (undated)

[17] NAPO *Briefing: Payment by Results* January 2011

[18] Chris Nicholson, *Rehabilitation works: Ensuring Payment by Results cuts reoffending,* Centre Forum 2011: Executive summary

2 PbR using the prime provider model

2.1 The Work Programme[19]

Payment structure

The Work Programme, the Government's main welfare-to-work programme, was introduced in June 2011. It does not use Social Impact Bonds. It is delivered by service providers who have the freedom to introduce their own ideas and schemes to help unemployed participants find work. There are 40 Work Programme contracts held by prime providers in 18 different areas of Great Britain.

Payments are made at various stages to reward providers for placing participants in sustained work. In the early years of contracts, providers receive an upfront **attachment payment** for each new participant, but this is reduced to zero by the fourth year of the contract. A **job outcome payment** is made after a participant has spent 13 or 26 weeks in employment, depending on their payment group. Providers then receive **sustainment payments** for every four weeks the participant remains in employment after achieving a job outcome.

Participants are assigned to different payment groups on the basis of benefit status, in order to reflect the relative difficulties they face in returning to employment. Providers receive higher payments for individuals in those groups deemed hardest to help, in order that these individuals are not overlooked in favour of participants more easily placed in work. For example, providers receive higher payments for placing Employment and Support Allowance (ESA) claimants into work than Jobseeker's Allowance (JSA) claimants.

Other features of the Programme are intended to incentivise high performance by providers. The Department for Work and Pensions (DWP) has set minimum performance levels for providers; if providers do not meet these minimum levels and fail to make improvements they will face contractual action. For jobs delivered beyond a specified level, providers will receive incentive payments. Over the lifetime of the contracts, high-performing providers will receive a greater share of referrals.

Further information on the Programme's structure can be found in Library standard note SN/EP/06340, *Work Programme*.[20]

Prime providers and the supply chain

The PbR model means the lead Prime providers must have sufficient initial capital to fund services in advance of participants finding work. It therefore lends itself to having larger private sector organisations as Primes: fifteen Prime providers are private companies, one is from the public sector and two are voluntary or community organisations. The model does present the risk that a Prime could get into "serious financial difficulties" in attempting to deliver its contract, as noted by the National Audit Office:

> The unprecedented performance and cost propositions expected by the Department and offered by prime contractors mean that it is highly likely that one or more will struggle.[21]

19 Feargal McGuinness
20 28 November 2012
21 NAO, *The introduction of the Work Programme*, 24 January 2012, HC 1701

The cash flow demands and financial risks for Prime providers may have deterred some organisations with relevant expertise and experience from bidding for Prime contracts. Instead, Primes may subcontract services to such organisations and others, where these are better equipped to help participants into employment (the DWP described plans to work with local partners as a “key factor in the tender assessment process” for Work Programme contracts).[22] ‘Tier 1’ subcontractors may provide end-to-end support to participants for the duration of the programme, while others (‘Tier 2’ subcontractors) may offer specialist services to those facing particular barriers to work.

Concerns have been raised over low levels of referrals to subcontractors and their relationship with relevant Prime providers. Surveys of providers suggest some Tier 2 providers have received few or no referrals and feel that their expertise is not being utilised by Primes.[23] The number of ESA claimants referred on the Work Programme has been well below volumes originally forecast, with a disproportionate impact on the third sector specialist organisations that are more likely to provide services to this customer group.

A study by the Third Sector Research Centre (TSRC) reported concerns from Tier 2 providers that providers higher up the supply chain were keeping referrals in-house, where it would be more appropriate to pass them on to specialist provision. The study suggested this was partly down to lack of funds, as the payment model meant Primes and Tier 1 providers were reluctant to commit resources upfront:

> Interviews [with Prime and Tier 1 providers] revealed a more fundamental issue with the supply chain structure. The general ‘resource squeeze’ within the Programme, initially exacerbated by the effects of price discounting by Primes, unpredictable and under-target flows, and the difficult economic conditions, all meant that advancing funding for specialist interventions was viewed as too risky by most end to end providers from all sectors. [24]

Concerns over “creaming and parking”

The differential payments model, where harder-to-help customer groups attract higher levels of payment, is intended to discourage providers from “creaming and parking” (where resources are focused on easier-to-help individuals at the expense of those who are further from employment). The DWP argues that in order to remain profitable, providers will have to engage with “substantial numbers of people well beyond the easy-to-help”.[25]

The range of needs in each customer group means creaming and parking could still potentially happen within individual groups. A DWP-commissioned evaluation of the Work Programme commented on the possible occurrence of creaming and parking, but noted it was too early to draw firm conclusions:

> The available evidence to date suggests that providers are engaging in creaming and parking, despite the differential payment regime. Providers routinely classify participants according to their assessed distance from work, and provide more intensive support (at least as measured by the frequency of contact with advisers, for example) to those who are the most ‘job-ready’. Those assessed as hardest-to-help

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[22] DWP, *The Work Programme: Invitation to Tender*, December 2010, paragraph 4.07

[23] NCVO, The Work Programme: Perceptions and Experiences of the Voluntary Sector, September 2012; BBC, *LTB label for disabled and jobless people ‘offensive’*, 28 January 2013

[24] James Rees, Rebecca Taylor and Chris Damm, *Does sector matter? Understanding the experiences of providers in the Work Programme*, Third Sector Research Centre Working Paper 92, February 2013

[25] Public Accounts Committee, *Department for Work and Pensions: Work Programme outcome statistics, 22 February 2013*, HC 936 2012-13, Q34

> are in many cases left with infrequent routine contact with advisers, and often with little or no likelihood of referral to specialist (and possibly costly) support, which might help address their specific barriers to work. Alongside this, it is worth noting that some providers at least, took the view (perhaps surprisingly, given the design and remit of the Work Programme) that it was inappropriate for the hardest-to-help to be referred to their services at all.[26]

The lack of referrals to specialist providers, as noted in the TSRC study (see above), may also reflect decisions by end-to-end providers to park some hard-to-help claimants. Some of the providers surveyed as part of the study saw parking "as a rational response to Payment by Results since a proportion of customers would always be very unlikely to get a job." The study noted there was an increased incentive to concentrate resources on some individuals and park others, given that providers must fund future provision from job outcome payments.[27]

2.2 NHS[28]

Activity-based funding of NHS hospital services in England has been introduced progressively from 2003/04 under the name PbR.[29] NHS PbR is not a SIB-type scheme and the use of the PbR name for this scheme has been described as misleading, as hospitals are paid a fixed national price for each patient treated, irrespective of outcome.[30]

Under the NHS PbR, hospital providers are paid, under a standard national contract, a fixed tariff sum for each spell of care provided (eg inpatient spell, outpatient attendance, A&E attendance), so that "the money follows the patient". The tariff is based on the average cost of each type of care, classified by "Healthcare Resource Group", across the NHS in England (with a Market Forces Factor adjustment for unavoidable local variations in costs). The Department of Health's *Simple Guide to Payment by Results* (November 2012) explains:

> PbR is the payment system in England under which commissioners pay healthcare providers for each patient seen or treated, taking into account the complexity of the patient's healthcare needs. The two fundamental features of PbR are nationally determined currencies and tariffs. Currencies are the unit of healthcare for which a payment is made, and can take a number of forms covering different time periods from an outpatient attendance or a stay in hospital, to a year of care for a long term condition. Tariffs are the set prices paid for each currency.
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> PbR currently covers the majority of acute healthcare in hospitals, with national tariffs for admitted patient care, outpatient attendances, accident and emergency (A&E), and some outpatient procedures. For example, £119 for an outpatient attendance in obstetrics or £5,323 for a hip operation. The Government is committed to expanding PbR by introducing currencies and tariffs for mental health, community and other services."

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26 Becci Newton et al, *Work Programme evaluation: Findings from the first phase of qualitative research on programme delivery*, DWP Research Report 821, November 2012

27 James Rees et al, February 2013

28 Thomas Powell

29 The introduction of PbR in the NHS was announced by the then Government in Department of Health, *Delivering the NHS plan; Next steps on investment; Next steps on reform*, April 2002, Cm 5503

30 See for example page 17 of the Office of Health Economics report on competition in the NHS (January 2012).

PbR accounts for around 30 per cent of total NHS expenditure for England – £29 billion in 2011/12 (out of a total of £106 billion) – although a much greater proportion, approaching 50%, of expenditure for acute NHS hospital care.[31]

PbR is an alternative to block contracts where hospitals are unlikely to be paid the full costs of caring for additional patients over the number stated in the contract. PbR is intended to give providers the confidence that they will be paid for each additional patient and this is seen as a pre-requisite for competition in the provision of those services.[32]

The House of Commons Health Select Committee considered PbR in its 2010 report on NHS commissioning.[33] Their report highlighted evidence from the NHS Confederation on the positive aspects of PbR:

> While the immediate economic constraints might make alternative payment systems appear attractive, the benefits, both delivered and possible through PbR are significant. For example, in the NHS Foundation Trust sector, PbR has supported the investment of £339 million in improved patient services in 2008–9 alone, with £353 million anticipated in 2009–10. PbR has enabled independent sector providers to enter the market competitively and further drive service improvement in areas where they provide services alongside incumbent providers. It is a system that maintains a national health service, avoiding the disruption of local pricing which would be inefficient and chaotic.[34]

However, the Committee also reported that other witnesses argued that PbR had several failings. In particular, it was claimed that PbR had:

- increased transaction costs
- encouraged hospitals to generate more activity to increase their income and
- made it more difficult to move healthcare into the community and primary care sectors.[35]

A report by the health think tank the King's Fund, published in November 2012, reviewed the role and objectives of payment systems in the English NHS, focusing on PbR.[36] It also considered the experiences in other countries using similar payment systems for healthcare. It questioned whether payment systems in general, and PbR in particular, were still fit for purpose, given changing policies and priorities, such as the need for disease prevention, the prevalence of long-term conditions, and the changing economic environment. It argued for a radical rethink of payment systems and more flexibility to accommodate change and offer the right incentives. Key findings included that:

- Payment systems are only one of many ways of promoting health policy objectives and they may not be as effective as other means.

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31 Appleby J, Harrison T, Hawkins L. and Dixon A, *Payment by Results: How can payment systems help to deliver better care?*, King's Fund, November 2012

32 For more details on PbR and its impact on competition see the Office of Health Economics report on competition in the NHS (January 2012).

33 Health Committee, *Commissioning*, 30 March 2010, HC 268–I 2009–10

34 *Ibid.* para 117-118 page 41

35 *Ibid.* For more information on PbR and its impact see Farrar, S., Yi, D., Sutton, M., Chalkely, J., Sussex, J. and Scott, A. (2009) Has payment by results affected the way that English hospitals provide care? Difference-in-differences analysis. *British Medical Journal*. 339. b3047.

36 Appleby J, Harrison T, Hawkins L and Dixon A, *Payment by Results: How can payment systems help to deliver better care?*, King's Fund, November 2012

- Different services require different payment systems, and several different approaches are therefore needed across the NHS. PbR is most appropriate to elective care and less suited to other services.

- A radical rethink is needed to develop more comprehensive payments, but payment systems need to be flexible so they can adapt at a local level to changing policy at a national level.

- Different objectives means there will inevitably be trade-offs; the starkest of these is between cost and quality, and cost and maintenance of supply. High-quality standards and low prices, for example, could lead to limited supply.

- The impact of payment systems is still not well researched and data is limited. The payment system needs to be underpinned by good information and analysis.[37]

3 Extending the PbR approach to rehabilitation

The Government has announced that it wants to expand the PbR approach across the field of rehabilitation and reducing reoffending. Some commentators have suggested that the Lord Chancellor and Secretary of State for Justice, Chris Grayling's enthusiasm for PbR may (in part at least) derive from his experience as Secretary of State for Work and Pensions, overseeing the Work Programme.[38]

Although its consultation (green) paper *Transforming rehabilitation: A revolution in the way we manage offenders* cites the case study of the SIB at Peterborough prison, it does not expressly identify SIBs as the means by which investment would be sought or providers would be paid. It does, though, envisage a role for the social investment market:

> The emerging social investment market has the potential to ensure that VCS bidders have the financial resources to put together credible bids and form genuine partnerships with the private sector. We will continue to engage with the social investment market to ensure that the contracting process is compatible with this kind of financing.[39]

Making a statement to the House of Commons on 9 January 2013 on transforming rehabilitation, Chris Grayling set out his aims:

> I intend to open up the market for probation services, so that we can combine the expertise that exists in the public sector probation service with the innovation and dynamism of private and voluntary providers.[40]

When pressed by the shadow Lord Chancellor and Secretary of State, Sadiq Khan, on why he had cancelled two PbR pilots, Chris Grayling argued that the previous government had been "obsessed" with pilots but it was now a matter of believing and taking action:

> Sometimes those in government just have to believe in something and do it, but the last Government set out a pilot timetable under which it would have taken about eight years to get from the beginning of the process to the point of evaluation and then

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37 Appleby J, Harrison T, Hawkins L, and Dixon A, *Payment by Results: How can payment systems help to deliver better care?*, King's Fund, November 2012

38 See, for example, "Grayling to outsource probation work", *FT.com*, 9 January 2013

39 Ministry of Justice *Transforming rehabilitation: A revolution in the way we manage offenders* Consultation Paper CP1/2013, Cm 8517, January 2013: page 16

40 HC Deb 9 January 2013 c315

> beyond. Sometimes we just have to believe something is right and do it, and I assure Members that if they went to Peterborough to see what is being done there, they would think it was the right thing to do.[41]

Responding to the Westminster Hall debate on the probation service in March 2013, junior minister for prisons and rehabilitation, Jeremy Wright, asserted that the commitment to PbR was not ideological:

> Payment by results is not, as some believe, ideological at all. It is very practical. It is about paying for what works and investing taxpayers' money in it. (...) It means fewer victims, less misery for communities and lower costs to the taxpayer.

He argued too that pilot studies and the Work Programme had already yielded useful information:

> We have learning from pilots undertaken and stopped early. It is not the case that one can learn nothing from a pilot unless it runs its full course. It is equally not the case that one can learn nothing from a pilot unless it succeeds; sometimes you can learn as much from what does not work as you can learn from what does.
>
> (...) Of course, I do not accept that the Work programme is a failure in the way it has been characterised, but it is true the programme is a source of learning for this project. We do not intend to lift the Work programme from the Department for Work and Pensions and deposit it into the Ministry of Justice, because it is different.[42]

Jeremy Wright also addressed some of the criticisms of the PbR approach to managing offenders:

> Concerns have also been raised about central commissioning. Payment by results requires particular commissioning expertise, and it is difficult to see how that can be done successfully on the existing local commissioning model. However, I have made it clear throughout the process that if there are ways in which PBR-based commissioning can be effectively done at a local level, or at least a less national level, we are open to hearing about them. We will see what comes out of the consultation.
>
> There is the crucial point about local partnerships. I accept entirely what has been said by many, that it is vital to have fully effective local partnerships that bring together a variety of agencies to work on the re-offending challenge. We will want to ensure that all bidders for the contracts can demonstrate that they will be able to sustain those local partnerships.
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> There are a number of significant design challenges, and I would not wish to minimise them. (...)[43]

4 What are Social Impact Bonds?[44]

SIBs are a way of financing schemes that tackle social problems, based on a PbR contract. Public bodies agree to pay third sector organisations for measurable results (such as reducing drug use or reoffending rates). Once the terms are agreed, voluntary organisations use that contract to attract project funding from investors. If the project succeeds, the investors profit; if it fails, they lose.

41 HC Deb 9 January 2013 c318
42 HC Deb 13 March 2013 c125WH
43 HC Deb 13 March 2013 c126WH
44 Gabrielle Garton Grimwood and Tim Edmonds

4.1 The development of SIBs

Background to the development of SIBs was given in the Young Foundation's January 2010 publication, *Financing social value: implementing Social Impact Bonds*:

> In early 2008, in response to ideas from the City Leader's Group and Social Finance, the Young Foundation coined the term 'Social Impact Bonds' (SIBs) and published a short paper with that title setting out thinking on a new generation of financial tools to support investment in social solutions.
>
> 1.2 SIBs describe a range of financial assets that entail raising money from third parties and making repayments according to the social impacts achieved. Our thinking drew on a multitude of investment methods in use to achieve social outcomes,

In 2007, the then Prime Minister Gordon Brown set up the Council on Social Action to generate initiatives through which government and other key stakeholders could develop and celebrate social action. The Council's report on its first year of operation, published in 2008, contained a chapter on Social Impact Bonds which described how they could work:

> **How SIBs would work**
>
> Each SIB would be structured around a set of well-defined outcomes in a clearly specified intervention area (e.g. youth offending, teenage pregnancy, young people not in education, employment or training). Appropriate outcomes and success metrics would be negotiated and agreed between government and knowledgeable Social Investment Intermediaries (SII) – in the first instance an SII may be a collaboration of foundations and grant-making trusts with experience in addressing the target outcomes.
>
> Having established the terms of the bond, the SII could then seek investment from socially-oriented investors that have an interest in ensuring the defined outcomes. These investors are asked to take all the risk that the interventions lead to the target outcomes, but know that, in the event that the interventions are successful, they will make a return on their investment.
>
> Reflecting their pioneering status, it is likely that early bonds would be financed by sophisticated institutions that are driven by the potential social impact as well as being better able to quantify the risks of the transaction. Early investors are expected to include:
>
> - Foundations that presently make grants to address the issues concerned, but are frustrated at a lack of well-defined engagement with government; and
>
> - Social investors with a specific sector interest, or who could be engaged by the investment intermediary.[45]

The application of this concept to the criminal justice system was also advocated by the Justice Committee in its December 2009 report, *Cutting crime: the case for justice reinvestment*:

> 351. The Young Foundation and Social Finance have further developed the idea of justice dividends. Social impact bonds would allow social investment to be made (by commercial investors, foundations, local authorities or other commissioners) to finance a programme to address a clearly defined need in a specified geographic area on the

[45] Council on Social Action, *Commentary on Year One*

> basis that government will make payments to the investors linked to outcomes achieved.
>
> 352. There is a strong case for exploring greater devolution of custodial budgets, and we are encouraged that this is currently being given serious consideration with respect to youth justice. We are not convinced that simply making local authorities pay for custodial places represents the most constructive means of redistributing resources. We do not believe that this will be either possible or acceptable unless some money is invested up-front to enable local authorities to reduce the use of custody in their area. There is support for local partners to share money and invest in jointly funded services if there is some initial pump-priming. Devolution of custodial budgets must therefore be viewed as a longer-term goal. Such a model would also require much greater engagement between local authorities and the courts but this may be possible if the community justice court model were to be adopted universally.
>
> **353. We believe that the movement of resources could be achieved much more quickly, bringing down spending on imprisonment more dramatically, if local partnership were given an added financial incentive to reduce the use of custody as a proportion of the 'expected' rate, based on the characteristics of local offenders and the sentencing trends of the local courts. We consider that the use of social impact bonds— as a means of reducing crime and re-offending in particular areas by particular groups, including women, young adults, persistent offenders and those with substance misuse or mental health problems— warrants serious consideration by Government.**[46]

SIBs were discussed during the course of the Lords Committee stages of the *Financial Services Bill* in July 2012. The Liberal Democrat, Baroness Kramer moved an amendment that would ease some of the difficulties that such bonds face. She explained:

> I want to make two points about social impact bonds, which are the primary form of social impact investment under general discussion. These bonds are, by definition, small. If the sector develops as it hopes, the range typically will be £1 million to £5 million. The bonds are small because they deal with very specific, local social problems, which might include building new social housing within a particular community or the resettlement of prisoners from a particular prison. That small size is key to understanding the regulatory environment in which these bonds need to live and thrive.
>
> Secondly, qualified investors are not likely to provide a very large market for social investment bonds. Certainly the one that has been offered in Peterborough for prisoner resettlement is indeed funded by qualified investors, but that will be a less frequent occurrence. The real market for these bonds is people who live in the community and whose primary objective in purchasing the bonds is social good, with a financial return being secondary. That is the market that has to be reached if we are to develop this sector effectively.

She pointed to potential difficulties in the marketing of social impact bonds:

> That brings me to the problem that is addressed by this amendment, which is Clause 21 of FiSMA on the financial promotions order that sits underneath it. Under these rules a financial instrument cannot, in effect, be marketed except by an authorised person. Under the order there are a few exceptions but they do not apply at present to social impact investments. To become an authorised person requires going through a process that costs some £150,000. We have talked directly with the FSA and the FCA,

[46] Justice Committee, *Cutting crime: the case for justice reinvestment*, HC 94 2009-10, 14 January 2010, p148

> with independent financial advisers and with others who do structuring, and there is a general consensus around that number. In a traditional investment, which might include a fund for £20 million, £30 million or £40 million, £150,000 is nothing. However, for a bond issue of £1 million, £2 million or £5 million, £150,000 is a very large amount of money and effectively makes it impossible to develop the instrument and market it to the general public. Therefore the rules as they stand make it impossible, in practical terms, for social impact bonds to actually be marketed to their primary would-be buyers, who are the general public.
>
> That strikes all of us, I think, as a real flaw in this legislation and it has to be tackled. (...)
>
> (...) It is an anomaly, and we seek to address it by this amendment. I will not pretend that the amendment is brilliantly crafted, but our goal is to get the Government to sort this problem out before the law of unintended consequences has a severe impact. This rule is already inhibiting the development of this market for no good purpose. It needs to be dealt with promptly, and I ask the Government to consider this issue seriously.[47]

The amendments were not successful, but the Minister, Lord Sassoon, noted the difficulties that had been raised and said that the whole area of social investment fundraising was being looked at within the context of the Government's 'Red Tape' challenge. Clearly there is a need to find a way to incorporate the necessary investor protections needed with major corporate issuances in the context of relatively small scale social investments.

4.2 Sources of funding

The Cabinet Office has set up a website to provide guidance to investors interested in SIBs.[48] The Centre for Social Impact Bonds is a team within the Cabinet Office that promotes the development of more and better SIBs. Its main tasks are to:

- increase awareness and understanding of SIBs through online resources and at workshops and conferences
- support SIB developers by providing strategic advice and analytical support
- reduce transaction and set-up costs by developing standard tools such as template contracts
- help SIB developers to estimate cross-cutting benefits by making more data publicly available about the costs to government of providing specific public services
- connect SIB developers with experts and
- connect SIB stakeholders.

Social Outcomes Fund

The government also launched the Social Outcomes Fund, worth £20m, in November 2012. The Prime Minister, David Cameron, said about the Fund:

> By providing new forms of finance to invest in more early intervention programmes we can help the most vulnerable and reduce demands on the state. [49]

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47 HL Deb 25 July 2012 c709
48 Cabinet Office, *Social impact bonds*, (accessed 26 April 2013)

The Fund aims to support 10 - 20 new PbR/SIB contracts and to leverage at least £60m of social investment.[50] It was also announced that the Department of Health would be looking for registration of interest from local groups developing SIBs in social care prevention, to become trailblazer sites.[51]

Big Society Capital

Big Society Capital, previously known as the Big Society Bank, was launched in April 2012. The Big Society Capital website describes its vision and mission:

> We were established to develop and shape a sustainable **social investment** market in the UK. This gives organisations tackling major social issues access to new sources of finance to help them thrive and grow. [52]

In January 2013, the Minister for Civil Society, Nick Hurd, outlined Big Society Capital's work with social impact bonds:

> Big Society Capital has so far made investments in six social impact bonds. Details are available on Big Society Capital's website at:
>
> http://www.bigsocietycapital.com/how-we-invest.[53]

Two of the investments are the Adviza and Teens and Toddlers projects mentioned later.

5 How are social impact bonds being used?[54]

5.1 Cutting reoffending rates at Peterborough Prison

SIBs involve "social investors" (which could be charities, commercial investors, local authorities or others) financing a programme to address a clearly defined need in a particular place, on the basis that government will make payments to the investors if the programme achieves the desired outcomes. The pilot programme in Peterborough Prison, which the Government says is the first such scheme in the world, will run for six years.

The pilot fund was for £5 million and was subscribed to by 17 charitable foundations.[55] The social investors include charities such as the Esmee Fairbairn Foundation and the Monument Trust.[56] This money will be used to fund a range of third sector organisations, such as the St Giles Trust, to work with around 3,000 short term prisoners to prepare them for release and help them after release to reduce reoffending. If these services are successful, investors will receive a payment representing a proportion of the cost of reoffending. The payment will increase, based on the reduction in reoffending, with the total cost of the project capped at £8m. Further details can be found in a Ministry of Justice press release, *Social Impact Bond launched*, (10 September 2010).

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49 Cabinet Office Press Release, *New boost to help Britain's most vulnerable young adults and the homeless,* 23 November 2012

50 *Ibid*, Note 1.

51 Cabinet Office Press Release, *New boost to help Britain's most vulnerable young adults and the homeless,* 23 November 2012, Note 5.

52 Big Society Capital, *Our vision and mission*, (accessed 26 April 2013).

53 HC Deb 21 January 2013, c46w

54 Gabrielle Garton Grimwood and Tim Edmonds

55 *Investor perspectives on Social Enterprise Financing*, p93-4

56 A fuller list can be found in the Ministry of Justice press release, *Social Impact Bond launched* , 10 September 2010

The Peterborough Prison scheme is described in the research report by ClearlySo for the City of London Corporation – *Investor perspectives on Social Enterprise Financing* – which is a very good resource for details of this quite complex and nuanced area of finance. Under the project to tackle recidivism rates, payments to investors will take place 22 months after the end of each cohort group of offenders has been released and will be made once there has been a 10% reduction in occurrences of conviction when compared with any other cohort groups. If a 10% reduction in conviction events has not been found for any of the three cohorts, at the end of the term, the three cohorts will be evaluated together. For the larger combined cohort size of 3,000 prison-leavers, a 7.5% reduction in conviction events would be perceived as being statistically significant and a payment would be made.

Labour's launch of the pilot

The December 2009 White Paper 'Smarter Government' stated that the government would "pilot Social Impact Bonds as a new way of funding the third sector to provide services".[57] Labour's 2009 Pre-Budget Report said that the Government would set up a "Social Investment Wholesale Bank" initially using funds released from dormant bank accounts.[58]

Just before the 2010 general election, the Ministry of Justice issued a press release announcing that the Peterborough pilot would begin in the summer:

> **An innovative scheme aimed at reducing reoffending rates for short term prisoners was launched today by Justice Secretary Jack Straw.**
>
> The six-year Social Impact Bond (SIB) pilot scheme run by Social Finance will begin in the summer and will see around 3,000 short term prisoners from Peterborough prison, serving less than 12 months, receiving intensive interventions both in prison and in the community. Funding from investors outside government will be initially used to pay for the services, which will be delivered by Third Sector providers with a proven track record of working with offenders. If reoffending is not reduced by at least 7.5% the investors will receive no recompense.[59]

The Coalition Government's launch of the pilot

The idea of SIBs was taken up by the Conservative party, who said in their pre-election policy document, *Big Society not Big Government: Building a Big Society,* that they would use unclaimed assets in dormant bank accounts to create an independent Big Society Bank which would act as "a cornerstone investor in innovative products such as Social Impact Bonds".[60] The document stated "the Government has dithered on this issue for three years; we will get on with it immediately".

The service for male prisoners from Peterborough Prison serving less than 12 months is called the One Service. It began work in August 2010. It provides advice and support both inside the prison and outside it, and it includes help for families as well as the prisoner himself. On 31 August 2010, the Big Lottery Fund announced that it would be allocating up to £11.25 million in Lottery good cause money to Social Finance to pilot the first ever SIB at

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57 HM Government, *Putting the Frontline First: Smarter Government* Cm 7753

58 HM Treasury, *Pre-Budget Report 2009: Securing the recovery: growth and opportunity* Cm 7747, December 2009, pp 88-9

59 Ministry of Justice Press Release, *Scheme launched to reduce reoffending in short term prisoners,* 18 March 2010

60 Page 4

Peterborough, “and also develop SIBs as a tool for preventing social problems across the UK.”[61]

On 15 September 2010, the then prisons minister, Crispin Blunt, visited Peterborough Prison to “launch a new scheme designed to reduce reoffending”:

> **Crispin Blunt said: '**Our priorities are to punish offenders, protect the public and provide access to justice. But we want to initiate a more constructive approach to rehabilitation and sentencing, and re-think whether putting more and more people into custody really does make people safer.
>
> 'This payment by results pilot is both innovative and imaginative. I am delighted to be launching it.'
>
> (...)
>
> **David Hutchison, Chief Executive of Social Finance said:** 'The Social Impact Bond aligns the interests of government, charities, social enterprises and socially motivated investors around a common goal. We are delighted to be launching the first such structure in the world here at Peterborough.
>
> 'Developing the Social Impact Bond market will take years, but we believe that with care it can enable future investment of hundreds of millions of pounds a year in these crucial areas.'
>
> (...)[62]

Since then, the Government has extended the use of SIBs to other areas of the public sector.

5.2 Rough sleepers[63]

In March 2012, the Department for Communities and Local Government announced the launch of a scheme, in collaboration with the Mayor of London, to help London’s persistent rough sleepers get off the streets and into secure homes.[64]

In November 2012, the Cabinet Office announced that the contract to run the SIB would be operated by the charities St Mungo’s and Thames Reach.[65] The St Mungo’s website describes the “groundbreaking” funding arrangements of the Street Impact project:

> The funding arrangements are groundbreaking in the homelessness sector. Social investors are putting up the funds to meet the scheme's running costs and will be reimbursed on a payment by results basis by the Greater London Authority. This is an initiative backed by the Department for Communities and Local Government (CLG) and is the first use of a ‘social impact bond' to tackle rough sleeping.
>
> **Street Impact** only receives payments when specific outcome measures are reached:
>
> - Rough sleeping - reduction below a specific target
> - Accommodation - tenancies held for over 12 months

61 BIG Lottery Fund press release, *BIG paves way forward through social investment*, 31 August 2010

62 Ministry of Justice Press Release, *Social Impact Bond launched*, 10 September 2010

63 Wendy Wilson

64 Department of Communities and Local Government, *New £5 million 'payment by results' deal to get rough sleepers off London's streets*, (accessed 26 April 2013)

65 Cabinet Office, *New boost to help Britain’s most vulnerable young adults and the homeless,* (accessed 26 April 2013)

- Sustained reconnections - six months minimum
- Health - reduction in A&E visits
- Work - sustained volunteer, part time, full time work at three months and at six months.[66]

5.3 Children's social services[67]

The PbR approach is also being used in children's social services.

Sure Start Children's Centres

In July 2011, the Department for Education (DfE) announced that it would trial PbR in relation to Sure Start Children's Centres in nine local authority (LA) areas. In September 2011, it announced that a further 17 LA areas were to be included in the pilots. The pilot appears to be a two-tier one – the DfE's written evidence to a Commons Education Select Committee enquiry gives further details:

> The Payment by results (PbR) trials are exploring the potential to incentivise local authorities to focus on delivering the Core Purpose of children's centres. [...] Trial areas are testing both a national PbR scheme between the Department for Education and local authorities, and local PbR schemes between local authorities and individual children's centres. It is too early to take a view on the effectiveness of national or local PbR schemes or PbR measures. Performance data and reward payments will be processed in May 2013.[68]

Answers from the then Minister for Children and Families, Sarah Teather, to a series of PQs in March 2012 indicated that the Government was planning to contract for research to examine the impact of the Children's Centre PbR pilots:

> We are currently tendering for a contractor to run a process evaluation of the trials. One of the intentions of the evaluation will be to explore the impact of the trials on providers of children's centres by conducting interviews with the trial local authorities and individual providers concerned. The Association of Chief Executives of Voluntary Organisations is represented on the Department's project board for the trial and has been proactive in reflecting the views of voluntary and community sector providers to the policy team.
>
> (...)
>
> Yes, the purpose of the trials is to test whether payment by results improves incentives to focus on the core purpose of children's centres: to improve child development and school readiness among young children and to reduce inequalities.
>
> (...)
>
> The payment by results trials will inform whether and how payment by results approaches are taken forward in future. We will also use any wider lessons from the trials and their evaluation about how best to improve future policy. We, and the local

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66 *Street Impact – More support for people who've slept rough*, 23 November 2012

67 Nerys Roberts

68 Education Select Committee – consolidated written evidence. See: http://www.publications.parliament.uk/pa/cm201213/cmselect/cmeduc/writev/surestart/surestart.pdf (accessed 26 April 2013).

authorities participating in the trials, want to take every opportunity to learn from them to improve outcomes for children.[69]

On 5 March 2013, DfE announced that local authorities participating in the PbR trials would trial new 'measures' to assess progress in three domains:

> **Increasing the school readiness of young children by**:
>
> Narrowing the gap in attainment through the Early Years Foundation Stage Profile.
>
> Increasing take up of the two year old free entitlement.
>
> Increasing take up of early education amongst disadvantaged three year olds.
>
> **Improving health and child development by:**
>
> Increasing the prevalence of Breastfeeding at 6-8 weeks.
>
> **Improving parenting skills and support provided to families in need of children's centre services by**:
>
> Increasing the proportion of families in greatest need completing evidence based parenting programmes.
>
> Increasing the proportion of families with children under 5 years who are identified as being "in greatest need" and have "sustained contact" with children's centres in the local authority area.

Full details of the announcement are in a DfE press notice, *Coalition government to reward local authorities for improving children's lives.*[70]

"Adoption bonds"

In November 2012, the Consortium of Voluntary Adoption Agencies (CVAA) and accountants Baker Tilly launched a new adoption SIB. A press notice on the Baker Tilly website described the scheme's intentions and how it would operate:

> (...)
>
> As the first solution of its kind originated in the voluntary sector, and the largest example to date of social finance in the UK, the Social Impact Bond is targeted to facilitate and support around three hundred extra adoptions a year in the UK. These are likely to be focussed in particular on children from black and minority ethnic backgrounds, with medical or clinical conditions, and those that are over four years old or in sibling groups. The funding required to finance the project could come from high net worth individuals, grant-making foundations, local authorities and corporate businesses, who will benefit from basic fixed annual return for their investment.
>
> (...)
>
> This is the first Social Impact Bond that has been specifically created by and for the voluntary sector, and redefines philanthropy and personal investing by combining the two, previously mutually exclusive, areas. Individuals and private companies, wanting

[69] HC Deb 19 March 2012 c575w

[70] DfE Press Notice, *Coalition government to reward local authorities for improving children's lives*, 5 March 2013

to support good causes can now look beyond donations, and make their investment portfolios achieve social good whilst looking to get a return on their investment.'[71]

An article in the *Times* newspaper claimed that "councils will pay £52,000 per successful adoption: an initial payment to instigate finding a family; a second payment after the child has been placed; and two more, one and two years after the placement". The cost, the article claimed, was "about the same as providing one year of foster care".[72]

5.4 Vulnerable young people

The DWP announced in November 2012 that it had awarded two contracts worth £7m from the DWP Innovation Fund.[73] The SIBs are to fund interventions to work with 2,500 14-15 year olds who are disadvantaged or at risk of disadvantage, to help them with education and training to increase their employability. The projects are to be delivered by Adviza in the Thames Valley and Teens and Toddlers in the North West of England, both as part of social investment partnerships set up by Social Finance.

Another SIB, providing therapeutic support and improved outcomes for adolescents at risk of going into care, was also announced in November 2012.[74] The contract was awarded by Essex County Council to Social Finance. The contract involves a financial commitment of £3.1m over five years, with successful outcomes expected to yield 8-12%pa for investors.

6 In brief: Other PbR projects

- Triodos New Horizons is another PbR project. Announced in May 2012, the scheme will help young people in Merseyside, many of whom are young offenders, have learning disabilities, or are in or leaving care.[75]

- ThinkForward Social Impact in partnership with Tomorrow's People, provides intensive school-based support for young people in the London Borough of Tower Hamlets.

- 3SC Capitalise, in partnership with Dyslexia Action and CfBT Education Trust represents the final two investments by Big Society Capital. The scheme is a three year programme which will target vulnerable young people in secondary schools in the Cardiff and Newport areas based upon a set of criteria indicating both disadvantage and social disengagement.

- The Centre for Social Impact Bonds announced on its blog the launch of the Future for Children Bond by Allia, a "social profit" society.[76] The bond has a minimum investment amount of £15,000, is transferable and can be offered to the public based on the exemptions from which Allia benefits as an Industrial and Provident Society.

- As part of the Government's *Youth Contract*, a package of measures intended to address youth unemployment, the Government is investing £126 million over three years to

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71 'Social impact bond', (08/11/2012). See: http://www.bakertilly.co.uk/media/news/Pages/social-impact-bond.aspx (accessed 26 April 2013)

72 'Adoption bonds will provide cash to find families for children languishing in care', *The Times*, 8 November 2012 [paywall]

73 Social Finance, *Social Finance is awarded two contracts from the DWP Innovation Fund to support 2,500 vulnerable young people in the Thames Valley and the North West of England* (accessed 26 April 2013).

74 Social Finance, *First local authority social impact bond awarded to improve outcomes for vulnerable young people on the edge of care,* (accessed 26 April 2013)

75 Triodos Bank, *Triodos New Horizons,* (accessed 26 April 2013)

76 Centre for Social Impact Bonds, *Allia guest post: Growing the supply side*, (accessed 5 February 2013)

support young people aged 16-17 who are not in education, employment or training in England and have low levels of educational attainment. The eligibility criteria for the programme were extended in January 2013 to include 16-17 year olds who are NEET and: who are in care/have left care, or who are young offenders released from custody. The Department for Education website explains:

> Providers are given complete freedom to design and tailor a programme of support to help them move into full-time education, an apprenticeship or a job with training. They receive payment by results, up to £2200 per person, depending on how successful they are at helping young people to make a sustainable move into a positive outcome.

The Invitation to Tender provides more information about the payment model and structure of the scheme.