IPPR

REPORT

BREAKING BOUNDARIES

TOWARDS A 'TROUBLED LIVES' PROGRAMME FOR PEOPLE FACING MULTIPLE AND COMPLEX NEEDS

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and Jack Hunter

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Institute for Public Policy Research

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SUMMARY

Successive governments have promised to tackle the 'root causes' of social and economic disadvantage. Yet public spending on individuals experiencing problems such as addiction, homelessness, offending and poor mental health is still largely reactive, funding expensive crisis care services rather than coordinated and preventative support.[1]

In its final budget statement in 2015, the Coalition government committed to carrying out an assessment of how to reduce the estimated £4.3 billion spent on 'troubled individuals' struggling with homelessness, addiction and mental health problems, ahead of the next spending review (HM Treasury 2015a).[2] The new Conservative government is now actively considering the case for extending the Troubled Families programme to these individuals as part of their preparations for that spending review.[3]

The Troubled Families programme has been successful in pioneering integrated support and in producing savings by reducing demand for crisis-led services, for example in Greater Manchester and Oldham.[4] A relatively small pot of central funding has generated additional financial commitments from local areas and galvanised agencies to set up local 'invest to save' partnerships.

However, there are several aspects of the model that could be improved. Specifically, the programme relies upon an individual-based payment-by-results (PbR) scheme to reward success. Evidence suggests that the effectiveness of PbR schemes is mixed for those with multiple and complex needs, although this could be mediated by using incremental area-based outcomes. In addition, nationally defined criteria could be made more flexible to allow for local areas to define their target groups in order to ensure that no individuals are left behind.

We recommend that, alongside an expanded Troubled Families programme, the government should create a new 'Troubled Lives' programme, based upon similar principles. While the Troubled Families programme is aimed at coordinating support for workless families with problems of crime and antisocial behaviour and truancy, Troubled Lives would be targeted at approximately a quarter of a million individuals who experience two or more of the following problems: homelessness, substance misuse and reoffending. Instead of the PbR element of the programme being linked to achieving individual-level outcomes,[5] it should be linked to area-level outcomes: upper-tier local authorities should be required to show reduced demand for expensive crisis care services after one year of the programme. This approach would help to improve the lives of some of the most excluded people in society, support the integration of local services, and reform poorly targeted spending.

1 As part of this project, IPPR staff carried out one-to-one conversations with representatives from the following organisations: Making Every Adult Matter (MEAM), St Mungo's (now St Mungo's Broadway), Revolving Doors, Drugscope, User Voice, Resolving Chaos, LankellyChase, WCEN, the Troubled Families Unit and the Department for Communities and Local Government. The majority of conversations took place in summer and autumn of 2013, and were carried out over the phone as well as face-to-face. Service users were consulted through a discussion group in April 2013 hosted by Revolving Doors Agency and St Mungo's.

2 The £4.3 billion figure is drawn from Bramley and Fitzpatrick (2015) and represents annual public spending on individuals experiencing two or more of the following: homelessness, substance misuse and offending.

3 Source: authors' interviews with stakeholders.

4 This has also been evidenced in reports such as London Councils (2014).

5 Such as achieving significant and sustained progress, or moving off out-of-work benefits and into continuous employment as under the expanded Troubled Families programme.

Context

Major reductions in public spending need to be made in the next parliament if the government is to achieve its goal of eliminating the deficit by 2018–19. In addition to £12 billion of cuts to social security spending, achieving this will require cuts of almost 17 per cent to be made in spending by unprotected departments (Thompson and Stirling 2015).[6] In this report, however, we find that as a result of greater numbers of people becoming socially excluded, demand is likely to rise for out-of-work benefits (including incapacity benefits) and expensive crisis services (A&E, emergency services, police call-outs and time spent in custody). For example:

- rough sleeping has increased by 55 per cent in the UK, and by 79 per cent in London, over the past five years, partly due to the impact of welfare reforms such as benefit caps and rising numbers made homeless from the private rented sector
- over 13,000 households in England were accepted as homeless by their local council in the first quarter of 2015 – an increase of almost half (49 per cent) on the same point in 2010
- among working-age adults without children, the proportion living in poverty is now 20 per cent – the highest it has been in at least 30 years, having risen steadily over that period.

As a result of these trends, more people are at risk of finding themselves on the margins of society and facing problems such as addiction, severe debt, offending and poor mental health. This in turn is likely to impose greater costs on the state, with recent research finding that £19,000 per person per year is spent on individuals facing a combination of these problems, at a total estimated annual cost of £4.3 billion (Bramley and Fitzpatrick 2015).

This situation is perpetuated by a failure to reform services that vulnerable and disadvantaged people rely on. Spending still tends to be focused on expensive crisis care services, rather than on coordinated and preventative support. This creates unnecessary additional costs to the taxpayer. One recent study found that better coordinated interventions from statutory and voluntary agencies can reduce the cost of wider service use for people with multiple needs by up to 26 per cent (Battrick et al 2014).

Because services are set up to deal with single issues such as drug or alcohol use, homelessness or mental health, rather than addressing the various needs of the individual, multiple professionals are often working with the same person. It is not unusual for people to receive help from as many as eleven services or more, resulting in gross waste and inefficiency (Anderson 2010). The Troubled Families programme was developed precisely to address this problem. However, there is no framework for disadvantaged adults who do not meet the programme's criteria.

In this report we examine what lessons can be learned from previous attempts to reform public services for disadvantaged individuals. Based on these lessons we make the case for the government to take forward the March 2015 budget commitment at the next spending review, and invest in a 'Troubled Lives' programme to reduce costly duplication in services and reform poorly targeted and ineffective spending.

Lessons from public service reforms

Successive governments have tried and largely failed to shift spending away from standardised and impersonal public services towards those that intervene earlier

6 Unprotected departments are the Ministry of Defence, the Home Office, the Ministry of Justice, the Department for Communities and Local Government, the Department for Business, Innovation and Skills, and the Department for Transport. Spending on overseas aid and the NHS is set to continue increasing in real terms, while schools' spending per pupil is to be protected in cash terms.

and provide more tailored support. Reforms have tended to take the form of large-scale programmes led by Whitehall units or departments, and focused on tackling problems in isolation. Under the last Labour government, for example, initiatives such as the Rough Sleepers Unit often achieved impressive short-term results, but these were not always sustained when the national political focus shifted elsewhere.

The driving force of policy to tackle social disadvantage, both under the current Conservative government and the previous Coalition government, is a belief in commissioning at scale and using market-based mechanisms such as payment by results to create efficiencies and provide innovative responses to difficult social problems. But while flagship reforms such as the Work Programme are helping some back into work, they have been ineffective for those facing more complex challenges. Among prison-leavers, for instance, 44,000 people have been referred to the programme, but claims for any form of job entry have been made for just 5,300 (DWP 2015).[7]

We have examined a number of public service reforms that had the objective of improving the lives of the most excluded under governments both past and current. The examples were chosen because they each represent a different and distinctive approach, and offer useful lessons.

National programmes

National programmes, such as the Rough Sleepers Unit (RSU) introduced in 1999 and Troubled Families introduced in 2011, can provide a clear political focus from central government, often with an unambiguous target to spark action. However, starting with a defined set of problems linked to centralised targets can miss what people need to lead better lives and overlook deeper structural issues, unless there is local flexibility to determine priorities. For example, the RSU's narrow focus on rough sleeping meant that issues such as the quality and availability of hostels, move-on and permanent accommodation were left relatively unresolved. More recent initiatives, including the Troubled Families programme, appear to be having more success in achieving local ownership by making this an explicit aim.

Outsourcing public services – commissioning at scale and payment by results

Payment-by-results (PbR) schemes can focus efforts on specified outcomes rather than processes or inputs, and can help clarify accountabilities because they hold local authorities or providers to account for the delivery of specified outcomes. With the Troubled Families programme, PbR provided incentives to stimulate cooperation between local agencies and helped attract additional local financial commitments. However, the evidence is less clear on the extent to which outcome-based payments can meaningfully be linked to interventions for individuals with multiple and complex needs. PbR schemes are most effective when outcomes are easy to measure and can clearly be attributed to a provider's intervention. However, effective interventions for this group rely on coordinating support from a range of different agencies, and progress can be affected by factors beyond the control of services, such as wider government policy and economic conditions.

Decentralisation

We examined several examples of central funding streams being devolved to local authorities. This can lead to a more engaged and preventative approach locally, as with, for example, the devolution of homelessness budgets following the Homelessness Act of 2002. However, clear local accountability is needed to reduce the risk of finance being diverted away from where it is most needed. For example, the removal of the Supporting People ringfence in 2009 was supposed

7 Since February 2012 anyone claiming jobseeker's allowance within 13 weeks of leaving prison is automatically referred to the Work Programme.

to allow local authorities greater freedom to commission tailored support informed by local priorities. Instead, fuelled at least in part by the need to offset significant cuts to their overall budgets, many local authorities have replaced specialist support with more generic services such as floating support, and have made cuts to staff salaries and monitoring practices (Homeless Link 2013). Similarly, the removal of the ringfence around the substance misuse budget in 2013 and its absorption into the public health budgets of upper-tier local authorities has left this funding vulnerable to cuts in order to shore up funding for statutory services.[8]

Social investment

One form of social investment, the social impact bond, has been trialled in various sectors in the UK. Examples include the Peterborough pilot for reducing reoffending, and the Rough Sleeping social impact bond for working with people with entrenched street lifestyles. The previous Coalition government held up the social impact bond model as an option for funding support to tackle intractable problems, as it does not require upfront investment from either frontline agencies or the state. However, we find little evidence to suggest that they will work successfully in future to attract significant private investment into socially beneficial yet commercially risky projects.

Conclusions

Our analysis suggests that what most previous reforms have in common is a failure to give local areas the necessary powers, responsibility and accountability to improve the lives of the most excluded. The Troubled Families programme appears to be an exception, galvanising local areas to bring existing agencies to work together more effectively, rather than adding another layer of intervention onto an already complex system.[9] Aspects of the model are flawed and government claims about the results and savings achieved by the programme are dubious (Portes 2015). In particular, evidence of cashable savings resulting from the programme, as opposed to reduced demand for services, is scarce (DCLG 2015). However, the programme is having some success in improving integration where previous strategies (such as City Pathfinders) have struggled.

In addition, a growing number of initiatives around the country are demonstrating that investing in better local coordination and intensive support for individuals with multiple and complex needs can reduce demand for expensive crisis care services.[10]

Based on these findings, we argue that the core elements of any successful approach to improve the lives of adults with complex and overlapping problems should be:

- an area-based, decentralised approach, not large-scale national programmes
- national priorities set by central government, but local responsibility and accountability for design and delivery
- integrated funding, commissioning and delivery for person-centred support and clear incentives for wider systems to change.

Towards a breakthrough for ‘Troubled Lives’

We propose that at the next spending review multiple and complex needs is chosen as one of a small number of priority issues for investment in local integration and service transformation. A new Troubled Lives programme should be introduced for

8 A survey of local authority commissioning intentions found that, of those where a decision had been made, 34 per cent of areas expected to make cuts to substance misuse services in 2015/16, and only 7 per cent expected to fund more services (Public Health England and the Association of Directors of Public Health 2014).

9 It has been described by the head of the programme Louise Casey as an attempt to bring about ‘systems change’ at the local level (Casey 2012).

10 This includes projects run by the Make Every Adult Matter (MEAM) coalition of charities, the Resolving Chaos charity and the Big Lottery Fund’s Fulfilling Lives: Supporting people with multiple needs projects.

this, based on the Troubled Families model of centrally driven but locally led reform for vulnerable groups. The focus should be approximately a quarter of a million individuals who experience two or more of the following problems: homelessness, substance misuse and offending.

As under the expanded Troubled Families programme, however, local areas should have flexibility to determine local priorities and set a number of eligibility criteria. A national, collective outcome should be agreed for this investment, bringing together a range of government departments, agencies and upper-tier local authorities to pool funding and deliver joint solutions.

The Troubled Families model should be adapted for a Troubled Lives programme. For example, evidence is mixed on the performance of outcome-based payment schemes for individuals with complex needs. The capacity to work of those with complex needs can be limited for a long time, possibly permanently, and the performance of the Work Programme for this group has been poor.

Instead of the PbR element of the programme being linked to achieving individual-level outcome-based payments, area-level outcomes should be adopted. This retains the incentives for local cooperation provided by the Troubled Families PbR model, but removes the need for artificial or forced results from interventions with individuals.

To summarise, we propose the following six reforms for the next spending review.

Recommendation 1: Multiple and complex needs is chosen as one of a small number of priority issues for investment in local integration and service transformation. A new Troubled Lives programme is established for this, based on the Troubled Families model. The focus of the programme is approximately a quarter of a million individuals who experience two or more of the following problems: homelessness, substance misuse and offending.

Recommendation 2: A central funding pot of up to £100 million a year for four years is established for a Troubled Lives fund[11] to support upper-tier local authorities to integrate local services around troubled individuals and provide intensive support from a keyworker. A national, collective outcome is agreed for this investment, bringing together a range of government departments, agencies and upper-tier local authorities to pool funding and deliver joint solutions. As under the expanded Troubled Families programme, however, local areas have flexibility to determine local priorities and set a number of eligibility criteria.

Recommendation 3: Two-thirds of this fund is devolved to local areas to introduce intensive one-to-one support for troubled individuals and to support local service integration and transformation. This funding should be matched by locally pooled budgets.[12] The final third of this fund is awarded to local authorities on a pay-for-performance basis on an incremental scale, with payments being made on the basis of area-level, rather than individual-level outcome indicators. Upper-tier local authorities are required to show reduced demand for expensive crisis care services

11 We propose that this is funded by top slicing budgets in at least five departments – Department for Communities and Local Government (DCLG), Department for Work and Pensions, Department of Health, Ministry of Justice and the Cabinet Office.

12 The funding ratio for the Troubled Families programme is 2:3 – for example, for the £400 million received in total by local authorities DCLG expects them and their partners to contribute an additional £600 million worth of services, including resources 'in kind'. We would propose a similar ratio for this fund. Pooled funds could include funding for substance misuse treatment, which currently forms part of local public health budgets, and homelessness funding. The annual drug and alcohol treatment budget is worth between £800 million and £1 billion, and councils also receive a share of the £80 million homelessness prevention grant. Other contributions could come from prison substance misuse funding, the police Community Safety budget, community mental health budgets, health services for prisons, the Supporting People grant and clinical commissioning groups, Work Programme providers, Jobcentre Plus, probation trusts and local police forces.

after one year or more of the scheme. The proportion of the fund awarded on a pay-for-performance basis could rise in subsequent years.

Recommendation 4: While central government sets a small number of success indicators, the design of the programme is developed by those who have the strongest insights into what works – upper-tier local authorities in partnership with specialist and voluntary sector organisations and those living with multiple disadvantage. Given the large regional variations in the extent of people with multiple needs, priority areas for this programme should be northern cities, and some seaside towns and central London boroughs.[13] Wider links with economic development and regeneration policy should be developed in each area.

Recommendation 5: As part of their proposals for the Troubled Lives fund, upper-tier local authorities should similarly be able to bid for pots of relevant central funding to be devolved, such as employment support, mental health and community safety funding. Given the high levels of spending on prison for those with the most complex needs, probation funding should come under consideration too. However, as the budget for medium- to low-risk offenders will be tied up in large-scale contracts as part of the Transforming Rehabilitation reforms, it may not be possible to go any further than establishing co-commissioning or partnership arrangements in most areas.

Recommendation 6: A lack of integrated data to assess outcomes for those with multiple and complex needs reinforces a silo-based approach to funding and delivery. To support the introduction of the programme, the government should charge the new Administrative Data Taskforces[14] with linking data between key government systems dealing with substance misuse, homelessness and offending, together with data from social security and from key voluntary sector organisations. The objective should be for government to introduce integrated measures of multiple and complex needs in this parliament, and to begin to report against these measures to assess progress.

13 See Bramley and Fitzpatrick 2015

14 This was formed in 2011 by the Economic and Social Research Council, the Medical Research Council and the Wellcome Trust.

1. INTRODUCTION

A chronic shortage of affordable accommodation in the UK, combined with welfare changes and cuts to housing benefit and homelessness services, has seen rough sleeping rise every year since 2010. This amounts to a 55 per cent increase nationally over the past five years, and a 79 per cent increase in London (DCLG 2014a). Among working-age adults without children, the proportion living in poverty is now 20 per cent – the highest level in at least 30 years. And while these findings suggest that an increasing number of people are becoming socially excluded, the numbers of people moving out of exclusion and into meaningful occupation and employment are persistently low. Although long-term unemployment is falling, Office for Budget Responsibility (OBR) projections show that spending on benefits for people who are unable to work as a result of sickness or disability (and therefore the number of claimants) will continue to increase through to 2019–20, with spending on these benefits already £4.5 billion higher in 2015–16 than the OBR projected in 2011 (OBR 2014).

This bleak picture of the extent of exclusion in Britain today comes despite several decades of attempts by governments to improve the lives of the most excluded in society. The past two governments both came to power with high-profile strategies for tackling social exclusion and inequality. The driving force of policy to tackle social disadvantage under the current Conservative government and the previous Coalition government is a belief in commissioning at scale and using market-based mechanisms such as payment by results to create efficiencies and provide innovative responses to difficult social problems. But while flagship reforms such as the Work Programme are helping some back into work, they have been ineffective for those facing more complex challenges, and the combination of austerity conditions and welfare reforms has negatively impacted on disadvantaged groups in particular (Fitzpatrick et al 2015).

With high levels of inequality, and public spending set to fall for much of the rest of the decade, the prognosis for reducing levels of social exclusion seems poor. However, we argue that several developments create the conditions for a more serious and far-reaching attempt to improve the lives of the most excluded than in previous years. As this report illustrates, there are now several decades of reform providing a range of insights to learn from and build on in formulating new policy approaches. The evidence base is generating new and revealing insights into the nature and scope of exclusion that have the capacity to fundamentally change the way we respond. And the near collapse in local authority finances is creating a hunger at the local level for radical reforms which can improve the lives of disadvantaged groups as well as help reconfigure services and save money.

Westminster has so far failed to grasp this opportunity, but following several reports (see STCP 2014, Lawton et al 2015, and Bramley and Fitzpatrick 2015), the previous Coalition government in its March 2015 budget statement committed to 'assessing the scope' of reducing the estimated £4.3 billion spent because of a 'failure to support troubled individuals struggling with homelessness, addiction and mental health problems'. In this report we make the case for the new Conservative government to take forward this commitment, and set out how it intends to achieve better value for money from the £4.3 billion at the next spending review.

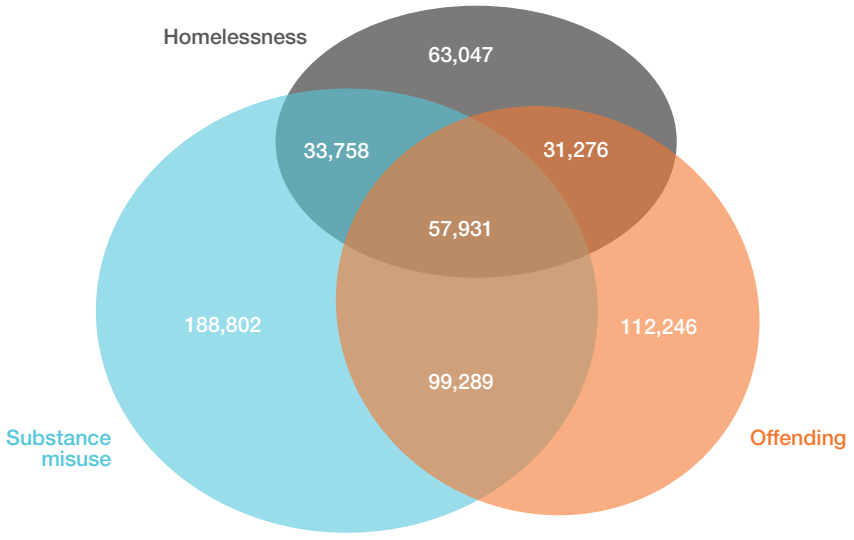
In the first part of this report we analyse a number of previous attempts to reform public services for disadvantaged groups to understand which have been effective and what we can learn from those that have failed to secure lasting improvements. We find that all previous reforms have in common the failure to give local areas the powers, responsibility and accountability for improving the lives of the most excluded, despite evidence suggesting that local ownership makes success more likely. We also find that in contrast to a general policy trend towards greater choice and control for service users, most disadvantaged groups have experienced greater conditionality and compliance. In the final part of this report we therefore argue for a new locally led, nationally driven approach to tackling exclusion.

2.
NEW INSIGHTS INTO MULTIPLE AND COMPLEX NEEDS

New evidence commissioned by the LankellyChase Foundation from researchers at Heriot-Watt University (Bramley and Fitzpatrick 2015) is helping us to build a more complete understanding of why some people face persistent difficulties in putting in place the building blocks most of us regard as essential for a good life: a home, a job and secure relationships with family, friends and partners. It also provides a stronger evidence base for arguments made for many years by organisations working with these individuals, namely that the 'single issue' model of public services is not working for people dealing with a number of complex problems. This means that the estimated £10.1 billion the state spends on these services is not being used effectively (ibid). One recent study, albeit small in scale, found that better coordinated interventions from statutory and voluntary agencies can reduce the cost of wider service use for people with multiple needs by up to 26 per cent (Battrick et al 2014).

It is commonly understood that many people with a drugs problem will also face other challenges – most commonly mental health issues, getting involved in the criminal justice system or facing periods of homelessness – and that therefore many of the same people will be caught up in these systems. But we have not previously had the data to show the extent of the overlap between people using substance misuse services, homelessness support and the criminal justice system. For the first time, researchers at Heriot-Watt University have estimated the scale of the overlap between people in all three of these systems, using administrative data from each. This shows that over half a million people (586,000) are using one or more of the systems, and that a smaller but significant number (58,000) are frequent repeat users of all three.

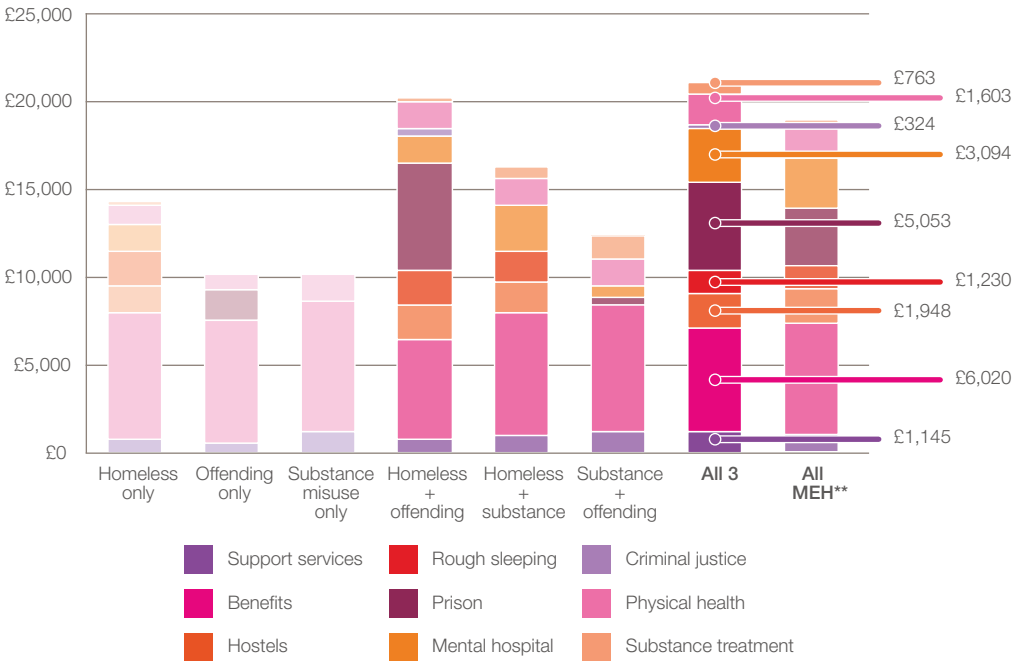
Figure 2.1
Overlap of SMD disadvantage domains, England, 2010/11



Source: adapted from Bramley and Fitzpatrick 2015: 13

Outcomes achieved by these systems for those facing multiple challenges are generally poorer than for those facing one or even two. For example, 55 per cent of people facing all three issues successfully complete treatment, compared to 65 per cent of those just experiencing substance misuse. Similarly, those in the offender population who are experiencing all three issues are at greater risk of reoffending than those just experiencing one or two of them. A breakdown of annual spending on repeat users of these systems shows that for the typical individual, spending by the state is highest on benefits, prison and psychiatric care:

Figure 2.2
Composition of annual public spending by detailed SMD* based on 'ever experienced' (MEH sample)



Source: adapted from Bramley and Fitzpatrick 2015: 42
Notes: *SMD = severe and multiple disadvantage. **MEH = Multiple Exclusion Homelessness: a quantitative survey of people using 'low threshold' homelessness, drugs and other services in seven UK cities conducted in 2010.

This gives an indication of the level of savings that could be achieved if the high levels of 'reactive' spending on this group were reduced through earlier, more effective interventions. But the biggest conclusion we should draw from this new evidence is that systems are wrongly configured for a small but significant group of 'repeat users'. Rather than focusing on the person, services are too often focused on the *problem* and so neglect the multiple factors involved and fail to resolve those issues, leaving people revolving between services. This can also lead to gross waste and inefficiency, with some excluded adults known to receive help from as many as 11 services or more[15] (Anderson 2010).

15 These can include (but are not limited to) primary and secondary health services, social services, the police, the prison service and probation, solicitors, drug treatment agencies, Job Centres and employment support, educational training and colleges, street outreach workers, homeless hostels, night shelters, domestic violence projects, counselling, and agencies such as the Citizens Advice Bureau.

What are 'multiple and complex needs'?

Research shows that many people experiencing complex and multiple needs have had troubled childhoods, with problems at home or school and many have experienced sexual or physical violence, homelessness or neglect while young (McDonagh 2011, Fitzpatrick et al 2012, Rosengard et al 2007). Early experiences of being let down by authority figures, or of negative experiences of the state (such as poor experiences of being taken into care) can lead to a mistrust of professionals which can make it difficult for them to accept support; professionals for their part can react to problematic behaviour by refusing support and excluding these people from services (Anderson 2010). As damaging experiences accumulate, some people can increasingly find themselves excluded from the rest of society. Regular substance misuse or a criminal record can prevent them from holding down a regular job; little financial stability and difficulties in maintaining relationships with friends or family can result in separation, itinerant lifestyles and eventually homelessness. They will almost always have experienced poverty at some point in their lives, and frequently suffer from mental ill-health. Other associated problems include learning disabilities, abuse and violence, being involved in sex work and domestic violence (McDonagh 2011).

Almost eight out of 10 (78 per cent) people with multiple and complex needs are men, and they are typically aged between 25 and 34 years old. It is often assumed that people in this group are single individuals without children. But even among those with the most complex needs, almost 60 per cent either live with children or have ongoing contact with their children while not living with them. And while people with the most complex needs are to be found in every local authority, they tend to be concentrated in northern urban areas, both 'core' cities and former manufacturing towns; some coastal areas, including major seaside resorts and former port cities; and in some central London authorities (Bramley and Fitzpatrick 2015).

A lack of access to quality, permanent housing is a key factor in their exclusion (Terry 2005). A prerequisite for recovery from substance misuse or homelessness is stable housing, but while local authorities have a duty to secure permanent accommodation for those who are 'unintentionally homeless' and fulfil a number of other tests such as local connection, priority needs; they have a significant amount of discretion in offering housing support. Funding that was available for vulnerable adults through the Supporting People funding stream has been heavily reduced in many areas as it is no longer ringfenced. Those with multiple needs also frequently have difficulty getting the mental health treatment they need because problems can fail to be diagnosed and eligibility criteria can be set too high. Latest figures show that the contact community mental health services have with local people is falling and the number of people being admitted to hospital after accessing these services is rising (HSCIC 2013).

There is increasing evidence of the importance of social bonds and meaningful activity in helping people who have overcome difficult challenges – for instance recovering from problems such as poor mental health or substance misuse – to maintain the motivation to pursue their goals for a better life. Research suggests that supportive relationships and a sense of purpose, followed by stable accommodation and employment or other meaningful activity, are key predictors of how well individuals cope with and recover from serious social problems (Best 2010, McNeil 2012). Longitudinal studies have shown that in overcoming addiction, collective approaches such as peer support programmes have longer staying power than pharmaceutical or psychological remedies, which have only limited effects on behaviour change over the long term (Boisvert et al 2008). Equally, services currently provide few opportunities for service users to take ownership of their own health and wellbeing (User Voice 2010).

The boxed text above shows how a complex range of factors are at play not only in leading to an individual's exclusion, but also in reinforcing and maintaining this exclusion. Governments and policymakers can play a significant role in mitigating the structural disadvantages – through economic reforms, welfare or reforming public services – and also have a role in helping create the conditions to influence interpersonal, cultural or institutional factors, such as helping to build supportive personal or professional relationships. In the next chapter we ask what we can learn from previous attempts to influence these factors to help us identify lessons for the future.

3. LESSONS FROM PREVIOUS PUBLIC SERVICE REFORMS

In seeking alternatives to the single-issue services model, we now have several decades of evidence about what works (and what does not work) to draw on. There is no 'right' way of making policy and there is no template for success. However, it is possible to identify some characteristics and principles that appear to make good outcomes more likely. In identifying these we therefore examine a number of public service reforms to improve the lives of the most excluded, under governments both past and current. The examples chosen here are not intended to be comprehensive, but they each represent a different and distinctive approach and offer useful lessons. We consider the strengths and weaknesses of these strategies, in line with factors identified as important by service users, and on the basis of evidence of the value for money and effectiveness of the intervention.

What do people want?

Evidence suggests that people with multiple needs want the following from public services:

- a personalised, sensitive and holistic or comprehensive approach
- access to ordinary living, independence and positive opportunities
- effective coordination of their case (Rosengard et al 2007).

3.1 National programmes

Key learning points

- Local authorities need to be given flexibility to make decisions about relative priorities so as to respond properly to local needs, for example flexibility around eligibility criteria.
- Starting with a defined set of problems, linked to centralised targets, risks losing focus on what people need to lead better lives, and can overlook deeper structural issues.
- Local authorities benefit from strong central leadership in making social exclusion a local priority and in being supported by a national arm sharing best practice and driving accountability.

A critique of two flagship initiatives

Two examples of national programmes[16] are the Rough Sleepers Unit (RSU) established under New Labour in 1999 and the Troubled Families programme (TFP) set up in 2011 by the Coalition government. In both cases, national programmes led by central government identified a group of people, advertised a clear headline objective and tasked a central government unit to work alongside local authorities to deliver improved outcomes.

16 National programmes are often established because an issue is 'cross-cutting' and no single department has responsibility (for example antisocial behaviour in the 2000s); because a social problem has reached what is seen as an unacceptable level (for example teenage pregnancy in the 1990s); or because the issue has wider political significance and becomes totemic, often identified with a particular politician (for example David Cameron and Troubled Families).

The RSU, which ran from 1999 to 2002 (after which it was merged into the Homelessness Directorate), was established after the Labour party came to power in 1997 and built upon the headline successes of the Rough Sleeping Initiative set up by the previous Conservative government. At the time, the prime minister made it clear that tackling homelessness would be a top priority and set a 'tough but achievable' target of reducing rough sleeping in England by at least two-thirds by 2002 (HM Government 1999). An unambiguous national target to move people off the streets, and a proactive, hands-on approach from a motivated team of specialists produced positive results (see box). However, while the headline target focused efforts, on its own the programme offered little incentive to address underlying causes or wider system failures, not least in this case because local authorities were not given explicit responsibility for achieving improvements.

The Rough Sleepers Unit

The Rough Sleepers Unit (RSU) was set up in 1999 to promote partnership working between government and providers, statutory agencies, local authorities and the voluntary sector in order to achieve a more coordinated and better targeted use of resources. In consultation with local partners, key local authorities (singled out because of the number of rough sleepers identified during nightly headcounts) were asked to draw up strategies for their areas.[17]

The number of rough sleepers measured in terms of nightly headcounts fell sharply, such that the government's headline target – to reduce rough sleeping in Britain by two-thirds by 2002 – was met early (DCLG 2008a). However, those rough sleepers who remained on the streets were disproportionately likely to have high levels of support needs, including mental health and substance abuse problems, particularly the use of hard drugs (Randall and Brown 2002). These rough sleepers required a more persistent and engaged approach, and often had long experience of, and scepticism towards, government programmes.

The RSU, as a small dedicated programme with backing from the prime minister and an independent budget to work with local authorities, was able to bring about action on a local level to tackle the headline targets on rough sleeping. In effect, the unit was often able to quickly and effectively shine a light on bad practice on the ground, to focus on issues of access and inequality of treatment, and to apply political pressure on local authorities to get services in order. Many worthwhile and long-lasting improvements to homelessness services were introduced during its early years.[18]

Ultimately, however, the RSU approach was shaped by the political objective that produced it. The use of focused and personalised street-level interventions was praised as crucial to the programme's success (Jones and Pleace 2010) but ultimately these interactions with individual rough sleepers were centred around asking, 'How can I get you into a hostel?', rather than, 'How can I help you?'. The focused remit of the programme also meant that efforts were only concentrated on the areas where rough sleeping was most prevalent.

The framing of the RSU on rough sleeping, and a strong focus on providing support to the individual, meant that wider structural issues, such as the quality and availability of hostels, move-on and permanent accommodation, were left relatively unresolved.[19] And while a strong central focus gave the programme political and financial capital that brought about significant headline reductions in the target, ultimately the programme was vulnerable to changes in political priorities. However, these limitations had always

17 These were based on agreed best practice, including funding additional bed space in hostels; the provision of rolling shelters that offer a temporary roof for those who may not be ready or willing to spend the night in a hostel; and a small number of dedicated and specialist 'contact and assessment teams' who would negotiate with local hostels and with people sleeping rough, in order to ensure that a bed would be available and would be filled.

18 Including the CHAIN data system, greater numbers of specialised hostels for people with complex needs, and measures to improve the conduct and professionalism of outreach teams.

19 Source: authors' interviews with stakeholders.

been acknowledged by those within the RSU, who considered it a catalyst for system change among wider homelessness services, rather than a sustainable solution.

In 2002 the Homelessness Act placed a statutory duty on local authorities to develop a strategy for dealing with homelessness. This raised the priority given to homelessness services by local authorities, kick-started a more preventative approach, and improved the liaison between councils, the voluntary and community sector, and other agencies (NAO 2005). However, the lack of an obligation to work with those who did not meet the government's criteria for statutory homelessness, and a broader focus on prevention and housing options, meant that those with the deepest and most complex needs were left behind. This was acknowledged by the Labour government of the time and led to the creation of the ACE (Adults Facing Chronic Exclusion) pilots to work with this group in particular (HM Government 2006).

The Troubled Families programme was established under the previous Coalition government but built upon the Family Intervention projects brought in by the previous government. This is another example of a national programme set up to tackle a cross-cutting political priority, in this case families facing a number of problems, including unemployment, antisocial behaviour and truancy. In contrast to the RSU, however, it was designed explicitly to ensure greater local ownership of the issue.

The Troubled Families programme

The Troubled Families programme (TFP) was introduced in 2011 to encourage local authorities to work proactively with 120,000 of the most 'troubled' families in Britain. A central Troubled Families Unit based in the Department for Communities and Local Government (DCLG) was charged with driving and steering change at the local authority level,[20] with £440 million of centralised funds made available partly on a payment-by-results mechanism, and in the expectation that councils would invest £600 million from their own budgets.

Local Authorities are paid up to £4,000 on a payment-by-results basis for working with and 'turning around' families who meet three of four criteria.[21] DCLG expects that most of the families will have been 'on different services' radars for long periods' (DCLG 2012). Each family is assigned a dedicated worker, who is tasked with working in a 'holistic' way with the whole family to address underlying problems, drawing upon specialist services where it is considered appropriate (ibid). The TFP explicitly recognises the need for structural change at the local authority level, as well as behavioural change within households. It is designed as 'a catalyst for system change' (Casey 2012): by demonstrating the savings that can be made by working directly with people who normally represent a high cost to departments such as the police and the NHS, it is intended to make the business case for preventative and joined-up action to dealing with disadvantage. Many local authorities are beginning to report initial progress to this end.[22] A recent report concluded that the programme has 'demonstrated how central government can successfully work with local government

20 Unlike the RSU, the Troubled Families Unit focuses more squarely upon encouraging local authorities to develop a workable strategy for engaging with social deprivation, and provides advice and technical support to allow them to do so.

21 'Troubled Families' are those who i) are involved in antisocial behaviour and crime; ii) have children who do not attend school; iii) have an adult on out-of-work benefits; and iv) cause high costs to the public purse. The final criterion was left deliberately vague, to maximise the opportunity for local discretion in targeting help (DCLG 2012).

22 Oldham Council, for example, estimates that as a result of improvements in outcomes for the troubled families they have worked with and the reduced need for reactive services such as police call-outs, A&E attendances and school attendance support, there is a potential cost saving across the public sector of £1.1 million if work is scaled up across the borough (Local Government Innovation Taskforce 2014). Similarly, in Greater Manchester, success has come from the joined-up approach taken by the citywide combined authority, which has incorporated upfront funding from the Troubled Families programme into a wider system of coordinated services and preventative investment, to provide evidence for the effectiveness of community budgets.

and other agencies to bring budgets and services together in a pro-active way at a local level' (London Councils 2014).

However, the TFP has demonstrated the drawbacks of using national data to identify people facing a combination of the most serious problems,[23] and to measure their progress out of deep social exclusion (NAO 2013). The working definition of success, in terms of families' 'turned around', is problematic (Portes 2015), not least because it fails to capture whether change is sustained, and does not capture the degree to which structural issues have been addressed.[24] Likewise, the target of 120,000 originates from a report that defined disadvantage in very different, more structural terms than those used by the TFP, meaning that many families known to authorities for their complex needs may not be covered by the programme (Cabinet Office 2012). As yet, evidence of cashable savings resulting from the programme, as opposed to reduced demand for services, is scarce (DCLG 2015).

In 2014 it was announced that the Troubled Families programme would be expanded to work with 400,000 more families from 2015 to 2020, with £200 million funding for 2015–16 (DCLG 2014c). The criteria for eligibility were expanded to include children under the age of five, and it also included a particular focus on improving poor health. Local authorities were allowed much greater discretion in identifying families, with those who fulfilled two of six criteria considered eligible.

In the Troubled Families programme, local authorities are afforded a degree of freedom to define and support families facing these problems, with a key focus on problem-solving at the individual household level through the use of keyworkers tasked to work with families and across departments to bring about improvements in their situation.

It has been particularly successful where it has been interpreted as a mandate for wider 'systems change' at the local authority level, although there remain issues surrounding sustainability and the way that success is measured.

These examples demonstrate that national programmes can bring to bear the knowledge and support of a national arm sharing best practice and driving accountability. Alongside a dedicated funding stream to address a particular issue, and sufficient flexibility to respond according to local need, this can help mobilise the local integration, leadership and coordination needed to tackle complex social problems. However, this is only likely to result in integrated responses which can respond to the whole person when local ownership is an explicit aim of the approach. The Troubled Families programme is distinctive in this respect because it has been designed to catalyse wider 'systems change' – as, for example, in Oldham where, as part of the TFP, agencies have worked together to reduce the need for local 'reactive' services.

3.2 Early intervention

Key learning points

- Early intervention will always be a necessary but ultimately insufficient part of a strategy to tackle exclusion.
- Focusing on 'at-risk' groups at an early stage can have a positive impact: however, some factors leading to social exclusion develop later in life.

23 Records of people on the programme suggest that participants are affected by on average nine different serious problems, including 71 per cent with a health problem, 46 per cent with a mental health concern, 29 per cent experiencing domestic violence or abuse, and 22 per cent at risk of eviction in the previous six months (DCLG 2014b).

24 Data from 133 councils out of the 152 participating in the scheme found that almost one in seven families that had been 'turned around' were either still on drugs, had children missing from school or were involved in criminal acts (see Ramesh 2014).

- It is easier to get public support for spending for targeted approaches rather than a more open-ended, 'whole place' approach that seeks to build community capital.

Tackling exclusion

One important approach to tackling exclusion is to reduce the likelihood of it occurring in the first place by offering support to those considered 'at risk' in their early years, as young people or young adults.

'Prevention' or 'early intervention' often means working with groups or communities considered 'at risk' of future social detriment. This could involve targeted work with specific individuals or groups to address underlying issues at an early stage, or the provision of universal services that build capacity and strengthen local networks (DCSF 2010, Little and Sodha 2012).[25] In addition, 'prevention' in social services can also refer to the redesign of services in order to respond effectively when people first ask for help, in order to avert a downward spiral into crisis and the high cost to services that this entails. This is an important element of systems change (see chapter 4). For our purposes, we will use 'early intervention' to refer to the former and 'prevention' to refer to the latter.

An increasing number of OECD countries are investing in early intervention and prevention initiatives targeted at children, young people and families (OECD 2009). In the UK, there have been important developments under the Coalition government, including the establishment of the Early Intervention Foundation and the publication of a series of reports on early intervention that attracted cross-party support (Allen and Duncan Smith 2008, Allen 2011).

Under the last Labour government, a key early intervention policy was the Sure Start programme set up in 1998. The programme was originally designed to support parents to develop productive relationships within their community and with professionals in order to foster greater wellbeing for children. A secondary aim was to build social capital in some of the more deprived areas in the country. Services were developed in consultation with communities and drew upon evidence for non-stigmatising services and community involvement (Churchill 2011).

Sure Start

The Sure Start programme formed a cornerstone of the New Labour government's approach to tackling social exclusion (HM Treasury and DfE 2005). Sure Start was focused on breaking 'the cycle of disadvantage' (DfES 2001) by supporting good parenting and enriching family relationships, with a 'relational approach' to service design (O'Leary 2012) developed in consultation with local communities.

Studies have found significant impacts across child development, health, home environment, family functioning, engagement with services and rating of the neighbourhood indicators (DfE 2010). It has been estimated that for every £1 invested in an effective children's centre £4.60 will be generated in social value (Action for Children 2009). Over time, Sure Start centres have become embedded and valued institutions in communities. Recent surveys show that Sure Start centres are increasingly likely to offer a wide range of community initiatives, including health visiting reforms, employment support, relationship support, parenting and family support (4children 2012). They are popular among parents: it was arguably the significant degree of public pressure that helped to protect centres from widespread closure in recent years (ibid).

There have been some concerns, however, that the original focus of Sure Start, in terms of fostering positive relationships with parents and providing services in consultation with the wider community, has been supplanted by a more prescriptive core offer, centred around the provision of childcare and getting mothers into work (Churchill 2011, O'Leary 2012).

25 In this context, 'early intervention' often refers to activity getting in at the first signs of trouble (that is it targets those showing first signs of a problem), whereas 'prevention' activity acts to stop any problems manifesting themselves at all. The relative merits of such targeted and universal approaches will be explored below.

In addition, there is concern that the programme is becoming increasingly targeted, at the expense of a universal offer, in response to current political priorities. For example, Ofsted has stipulated that 85 per cent of disadvantaged parents must be regularly using the children's centre for it to be viewed as outstanding, and surveys of centres suggest that universal services are most likely to be cut back as budgets are squeezed (4children 2012). The challenge of how to balance universal and targeted services is likely to be made harder by the further budget cuts that are expected. Third sector organisations and academics point to the importance of universal provision as the best way to build social capital in communities and enable engagement with a full range of families without stigma (HoC 2013).

Sure Start is emblematic of a 'whole place' approach to early intervention through the provision of universal community institutions. Developed in collaboration with local communities, these give people the opportunity to develop greater resilience through positive relationships with their families, peer group and the wider community (Viner et al 2012). In turn, it is hoped, this will foster a greater sense of belonging and connection to societal institutions (Brooks et al 2012). Sure Start has been vulnerable to changes in political priority, and there continues to be debate around its role in targeted intervention (Eisenstadt 2011). It has often been easier to justify spending on a more targeted intervention in order to reduce exclusion, rather than a more open-ended, 'whole place' approach such as Sure Start that seeks to build community capital.

This approach is likely to fall short in preventing future exclusion, primarily because of the difficulty in identifying and preventing risk factors later in life. Key causal factors that increase the risk of multiple needs can be identified, with poverty overwhelmingly the most important, as well as a lack of 'social capital' when growing up or severe childhood trauma (Bramley and Fitzpatrick 2015). Factors at a later stage, such as exclusion from school, are also important, as well as trigger factors such as ill-health (Social Exclusion Unit 2004) and unemployment (EC 2010), which cannot readily be predicted but are strongly associated with social exclusion. However, many of these factors are hard, if not impossible, to measure and therefore necessitate the use of proxy measures, which may affect eligibility. Identifying risk factors at an early stage will always be an imprecise science (Bramley and Fitzpatrick 2015). What is more, labelling and stigmatising individuals and groups as 'at risk' may arguably have the opposite effect to that intended by exacerbating the risk of future disadvantage (McAra and McVie 2010), and may place a disproportionate emphasis on behavioural causes of social exclusion.

As such, approaches to early intervention that merge universal and targeted responses and allow for local variation may offer a good way forward. Although still in its early days, the Starting Well programme in West Cheshire represents a developing 'whole place' approach to early intervention.

Starting Well – Early Support project

As part of a wider programme of change across the authority, West Cheshire launched the Early Support project in 2013 to develop more coordinated, cost effective, timely and tailored support for children and young people requiring targeted and specialist services. The rationale is that a more joined-up and evidence-based approach to early support and prevention will reduce the need for acute services in the future, resulting in better outcomes and reduced costs to the whole system. Importantly, as well as working with at-risk individuals, the project will also engage universal services to ensure they are engaged with the emerging early support offer (Altogether Better West Cheshire 2012).

The new approach includes a single access point for assessment, triage and signposting, as well as a children's investment unit to ensure joint commissioning of services and Early Support teams, based around Sure Start children's centres offering improved local joined up services for children, young people and families.

3.3 Outsourcing public services

Key learning points

- Where providers are promised payments to achieve a particular outcome at the level of the individual, targets can be a poor proxy for actual improvements in a client's situation or wellbeing, especially for those with complex or severe problems.
- Commissioning services in this way tends to incentivise providers to act in an overly cautious way, and to rely upon standardised and generic approaches to delivery.
- There can be limited scope for individuals to have their voices heard or take ownership of their recovery when target-setting and rewards for success are shared between government and provider.

Outsourcing public services is an option that has been favoured by governments of all political persuasions for the past few decades, though political ideology has played a role in how this has been executed in policy terms. In 2008, roughly a third of all public services were being delivered by non-state providers (Julius 2008) and this proportion has since grown (TUC and NEF 2015). In its 2011 white paper *Open Public Services*, the government stated that its preferred way of delivering public services was through user choice and provider competition. Since then, the majority of state investment has gone into large companies rather than small and third sector providers (Williams 2013). At the same time, overall state funding to the third sector through grants and contracts has fallen (NCVO 2013).

Given that almost all existing services for the most excluded people are run by charities or state agencies, this shift towards a greater role for large private companies has a particular impact on disadvantaged people, as we see in the different examples below.

Commissioning at scale and payment by results

The Coalition government introduced major reforms to the way several key services are commissioned through the use of large-scale contracts combined with a payment-by-results mechanism.

Payment by results (PbR) was first advanced in 2002 as a way of reforming delivery of public services. By making a part, or the entirety, of payment contingent upon successful demonstration of positive results, PbR is intended to bring a focus on outcomes rather than processes or inputs, boost innovation and save the state money by rewarding only what works (DoH 2002). In contrast to other payment systems, providers are, to a greater or lesser extent, free to choose the interventions needed to secure the desired outcomes. In the public sector, PbR tends to be used to address complex social issues for which there are no straightforward solutions: for example, getting people on benefits back into work, and reducing reoffending.

Opponents of PbR point out that it may unfairly advantage large providers over small ones (particularly through the prime provider model), that it may introduce perverse incentives to game the system – notably by 'creaming' the easiest cases while 'parking' those considered most difficult to work with – and also that measurement of success can be contentious, particularly for entrenched social problems (Rees et al 2013). A recent report by the National Audit Office concludes that PbR contracts are hard to design correctly, which makes them risky and costly for commissioners (NAO 2015).

There are two types of commissioning for the private and voluntary sector through payment by results: first, schemes run on the prime provider model, such as the Work Programme (see box below); and second, those using social impact bonds, such as the Peterborough pilot for offender rehabilitation (see section 3.4). In addition, the

Troubled Families programme (see section 3.1) provides some of its funding for local authorities on a payment-by results basis.

So far, there is a lack of clear evidence that PbR can perform better than other payment systems, either in terms of money saved or improved outcomes for end users (ibid). On the other hand, the experience of specific programmes, including the Work Programme and drug and alcohol pilots, as well as the social impact bond pilots described in the following section, suggest that it can cause particular problems for those individuals considered particularly hard to reach. The Work Programme is the government's flagship programme for tackling long-term unemployment. Despite some success for some mainstream client groups (Davies and Raikes 2014, Gash et al 2013), the programme reflects wider problems with commissioning at scale and outcome-based payments for people with the most complex problems.

The Work Programme

The Work Programme is the government's flagship back-to-work scheme for the long-term unemployed. Despite initial poor performance, it has started to deliver reasonable results for its main client group (DWP 2015). However, there are concerns that those with greater need appear to be receiving the least support (Davies and Raikes 2014). For instance, among prison leavers, 44,000 people have been referred to the programme, but claims for any form of job entry have been made for just 5,300 (DWP 2015).[26]

A Department for Work and Pensions report suggested that the Work Programme model of engagement, based upon conditionality and sanctioning, had proven to be inappropriate for individuals with the most significant and complex barriers to employment. It found that some people had been 'almost unable to avoid being sanctioned because they are unable to comply with programme requirements, which were often the result of "computerised systems which generated generic actions"' (Newton et al 2012). Those with alcohol and substance misuse problems and mental health conditions were mentioned specifically in this context (ibid). In a separate report, it was found that for legal reasons providers were not taking account of participants' excuses for absence, and instead were referring all claimants who failed to attend a session. The detriment to individuals that this causes is compounded by the way that DWP communicated with claimants, which has been found to be unclear and confusing, with the most vulnerable claimants often left at a loss as to why benefits were stopped (Oakley 2014).

The referral and assessment stage of joining the Work Programme often fails to identify the specific barriers to work that participants face and there is little additional support for those who brought their homelessness to the attention of staff (Sanders et al 2013). Qualitative research into the experience of homeless people on the Work Programme found that most felt ignored and sidelined, and that they experienced an impersonal, 'conveyor belt' approach to dealing with people that failed to respond to their particular needs (ibid).

Those with multiple needs are not offered the kind of holistic support necessary for them to make steps towards entering the job market (see for example St Mungo's, Crisis and Homeless Link 2012). Although small and specialist organisations, including third sector providers, are often best placed to offer this kind of support, estimates suggest that, even taking the wider supply chain into account, third sector organisations will deliver just 20 per cent of Work Programme operations, compared to 30 per cent of equivalent welfare-to-work services in the late 2000s (CESI 2012). Large providers are supposed to differentiate between need based upon payment groups, subcontracting to specialist providers where necessary, but a government review found little evidence that the differential payments system has led contractors to target different support for different client categories (DWP 2013). Instead, services provided are generic and often unsuitable for those with more ingrained issues (Sanders et al 2013).

26 Since February 2012 anyone claiming jobseeker's allowance within 13 weeks of leaving prison is automatically referred to the Work Programme.

The Work Programme shows that the model of commissioning at scale – whereby a particular government department contracts out a service on the basis of competitive bids attached to easy-to-measure targets – does not lend itself to tackling complex problems with multiple and interconnected causes. The simple focus on getting an individual into employment does not capture the multilayered and interconnected barriers faced by those with multiple and complex needs, many of whom would need a great deal of support and time to prepare them for the workplace. In these cases, it is unrealistic to expect providers to work intensively with clients over a protracted timeframe if they only receive payment for a 'single, ideal and potentially distant outcome' (Revolving Doors 2015). One response might be to generate more 'intelligent' outcomes to measure progress towards goals. However, as noted in the evaluation of the drug and alcohol PbR trials (see box below), the use of more complex metrics can be costly and time-intensive for both commissioners and providers alike, and may create processes of measurement that could alienate the people it is supposed to help. Any PbR mechanism works best when outcomes are clear and easy to measure (NAO 2015): creating multiple, intelligent outcomes would undermine this core principle.

Not only does this model represent poor value for the taxpayer, it clearly has negative effects on individuals. When it is government, and not those affected, that defines what positive outcomes look like, and when providers, rather than participants, are rewarded for success, the role of the individual is limited to compliance. Furthermore, the individual's compliance is often upon threat of punitive measures if they fail to accept the (universal, generic) conditions of their involvement, and there is little scope to have their voice heard or to take ownership of their own recovery. In theory, this does not stop providers from engaging with individuals to work collaboratively towards a defined outcome, but the experience of the Work Programme suggests that, in reality, this rarely happens.

There can also be unintended consequences for the provider market. A key objective of the Coalition's public service reforms was to encourage a range of diverse and innovative providers to compete on quality of service (HM Government 2011a). However, the current form of outsourcing has proven to be biased towards national organisations with large capital reserves, through the sheer size of the contracts on offer and the use of payment by results. In practice, this means that providers act in a conservative manner, unwilling to outsource to expensive specialist providers and relying upon a tick-box approach to delivery.

The experience of small-scale payment by results through the drug and alcohol treatment pilots shows how this similarly encourages providers to act cautiously, not least in order to assure internal accountability.

Payment by results for drug and alcohol recovery

In April 2012 the government launched eight payment-by-results pilots for drug and alcohol treatment. An early report on the first 11 months of the pilots showed that although there were some slight gains in abstaining from drug use, across most of the other measures, the pilot areas were performing worse than before the introduction of PbR, and worse than the rest of England, especially for those with highly complex needs and those with alcohol dependency.[27] In an interim report published in 2014, several shortcomings were highlighted in the project related to the use of PbR. Interviews with stakeholders revealed two core issues: first, that contracts had failed to attract some prospective providers because of difficulties in managing cash flow when payment is deferred until successful outcomes have been verified; and second, that the funding models were problematic, partly because they did not capture the complex nature of

27 See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/194007/Agenda_item_3.2_-_Pilot_data_for_publication_on_the_web.pdf

dependency and long-term recovery, and partly because the tariffs accorded to different service user groups were not set appropriately (NDEC 2014).

The elevated administrative burden, and accompanying costs, related to measuring and policing complex outcome measurements has been identified as a key challenge. The use of PbR for drug and alcohol treatment was considered particularly difficult, given the 'unprecedented' complexity associated with having multiple outcomes across client groups with addictions of varying degrees of severity (Gaming Commission 2011). Concerns were raised by the Gaming Commission that an opaque system of complex outcome payments would increase opportunities for gaming, whereas a simpler model could accidentally introduce perverse incentives (to park people who had reached an interim target for example) (ibid).

Providers had to invest heavily in skilled data analysts to be able to provide the information required by commissioners, and had spent a disproportionate amount of time on collating, verifying, analysing and providing data, which had taken some of the focus away from service delivery (DoH and DCLG 2014). In addition, the process that is required to determine the degree of a person's needs, and therefore their financial value to providers, means that a service user's first contact with the system is not therapeutic, but part of payment validation (Drugscope 2013).

Payment-by-results funding mechanisms offer a way of focusing activity around outcomes, rather than processes or inputs, and as such can play a valuable role in schemes which are intended to drive innovation and collaboration. However, the examples investigated in this report demonstrate that the combination of commissioning at scale with PbR (which is currently being extended into the probation service through the Transforming Rehabilitation programme), has proven to be ineffective for engaging those with multiple and complex needs. The same need not be true where payment-by-results outcome indicators are area-based, and where local authorities are given greater discretion over how these outcomes are achieved – as is the case for example with the design of the government's Better Care Fund (DoH and DCLG 2014).

3.4 Social investment

Key learning points

- Social impact bonds (SIBs) are financing a small number of pilot schemes tackling complex social problems, and can allow third sector providers the freedom and flexibility to work in a non-prescribed way.
- However, while SIBs may help to unlock finance for small-scale pilot schemes, recent experience shows they are not a viable financial instrument for mainstream services because the terms for investors are so unfavourable.
- Some evidence suggests that the inclusion of third-party financiers and investors in commissioning arrangements means that a successful SIB is likely to be more expensive than if services are commissioned directly by government.

A new source of capital for social investment?

Developing the right kind of approach for a particular area or a specific group takes time and, inevitably, money. It requires new social entrepreneurs who are encouraged to innovate and experiment. Given that results are not guaranteed, it also requires a funder who is prepared to take substantial financial risk. As public budgets are tightened, the state is looking to the private finance sector to fund this kind of activity. Social investment is finance that generates social, or social as well as economic, returns, such that social investors will often accept lower financial returns in order to generate greater social impact. One form of social investment, the social impact bond (SIB), has been trialled in various sectors in the UK. It is a form of payment by results, whereby the state agrees to pay a private finance organisation once predetermined social outcomes are achieved. For the state, it is a form of 'invest to save', in which specialist organisations are tasked with solving

complicated social problems that will, in the long run, deliver cashable savings in terms of reduced demand for services.

As with other PbR mechanisms, an SIB can allow the freedom and flexibility to work in a non-prescribed way, without having to justify every intervention or deliver on unrealistically short-term targets. The fact that a third-party investor, rather than the provider, assumes the financial risk through a social impact bond means that the market is not biased towards national organisations with large capital reserves, and as such this makes it more accessible to specialist organisations with deep experience of working with people facing a particular challenge, such as homelessness or substance misuse.

The SIB model has been heralded as a new source of capital for social investment (HM Government 2011b). At present, it is in the early stages of development, with SIBs in operation in a handful of pilot projects around the UK. These include the Peterborough pilot for reducing reoffending, and the Rough Sleeping social impact bond for working with people with entrenched street lifestyles.

Peterborough pilot for offender rehabilitation

The Peterborough pilot for offender rehabilitation was started in 2011. It aimed to reduce reoffending among male prisoners leaving HMP Peterborough after serving a sentence of less than 12 months, and was funded by the world's first social impact bond.

Organisations with expertise in reducing recidivism, such as St Giles Trust, Ormiston Trust and YMCA, are providing intensive support to 3,000 short-term prisoners over a seven-year period. Prisoners engage voluntarily with the programme during and after their time in prison, receiving support and advice determined by caseworkers according to individual need.

The project has been funded by investors who pay providers upfront in anticipation of a return if, by the end of the project, overall reoffending has decreased by at least 7.5 per cent. Importantly, reoffending is measured in terms of the number of reconvictions, rather than the number of reoffenders, in order to incentivise providers to work with more difficult and entrenched cases.

Results have been disappointing. The latest figures from the Ministry of Justice suggest that, despite an initial fall, the frequency of reconviction for the latest cohort is comparable to when the pilot started – an average of 84 reconviction events per 100 offenders in comparison to a national rate of 86 reconvictions (MoJ 2015).

Interviews with stakeholders indicated that the SIB funding had allowed flexibility in delivery, allowing for quicker decision-making and a highly tailored and responsive service for prisoners. But it was also noted that other funding mechanisms could also provide this flexibility, such that it was not possible to draw firm conclusions about the utility of the SIB itself (Disley and Rubin 2014).

However, and despite additional funding from the Big Lottery Fund to improve the payments for success, the risk-adjusted return for the Peterborough pilot is 'highly negative', meaning that similar projects will always be reliant upon philanthropic investment where investors are prepared to lose money on socially beneficial projects rather than more 'traditional' sources of finance (Keohane et al 2013). Indeed, the Peterborough pilot failed to attract significant private finance, instead relying almost exclusively on charitable trusts.

By 2015, the majority of prisoners within the target group will already be receiving 12 months' supervision and rehabilitation as a result of the wider reforms to probation. The government has therefore decided to end the SIB pilot early.

The example of the Peterborough pilot, as well as that of the Street Impact project (see box below), illustrates the flexibility that SIBs afford to providers, and the results that accrue if specialist organisations are allowed to work autonomously and in an open-ended and responsive way, with upfront funding, in order to provide support tailored to individual need.

As the Peterborough pilot shows, measuring success at a population level rather than on a case-by-case basis (in this example through the overall reoffending rate) helps to eliminate the risk of 'parking' difficult clients. However, at the level of the support received by individuals, it is not yet clear whether a SIB offers any advantages above other similar models. Indeed, there may be adverse effects from the need for accurate measurement of progress, which is a key element of a successful SIB.

Street Impact pilot

The Street Impact programme was commissioned by the Greater London Authority to improve the lives of homeless people in London. The authority commissioned two recognised and respected third sector organisations, Thames Reach and St Mungo's, to deliver the service, with clients divided between providers based on their reported location.

The target group was drawn from CHAIN, the London database for rough sleepers, and consists of 400 named individuals, with histories of prolonged or repeat episodes of rough sleeping as well as complex issues around alcohol, drug use, mental illness and/or physical health.[28] Street Impact teams work slowly to build up trusting relationships, and offer support and encouragement to bring homeless men and women off the streets and into appropriate accommodation.

Investors will receive up to 6.5 per cent on their original investment if all targets are met, including an overall reduction in rough sleeping among the target group, and supporting people into accommodation and employment. Results have been mixed, with both providers struggling to meet their quarterly rough sleeping and employment targets, but achieving better results in securing stable accommodation (DCLG 2014d). Staff at St Mungo's are enthusiastic about the pilot, which has allowed them the autonomy and flexibility, through the 'black box' approach to commissioning afforded by the PbR mechanism, to work in a persistent, personal yet patient way with people in need, informed by their particular situation and desires.[29] People who used the service were also positive, recognising the benefits of a flexible, personalised and long-term approach that coordinates provision around their specific needs. They were particularly appreciative of having a dedicated keyworker to advocate for them and provide advice and support (ibid).

Concerns have also been noted about measurement, which is an intrinsic part of a social impact bond mechanism. Given the background of the people involved in the programme, and its stated aims to improve people's lives in a more sustainable way, measurement is very difficult, often because positive personal outcomes, such as improved self-confidence and motivation, are not easy to capture (ibid). One of the main problems is that the three-year timeframe for the project, although long compared to other programmes, is too short for many of those within the target group. In addition, the development of the SIB required a great deal of investment and effort from all parties, in order to develop a model that reflects best practice. This had the unwanted side effect that the programme was difficult, and therefore hugely costly, to set up (ibid).

The SIB is at heart a funding mechanism, not a delivery model. A key advantage is its promise to attract private finance for projects that otherwise would not attract risk-averse public financing. It also allows for a twin-track approach, in which an alternative system can be trialled while the old system is still running, in the hope of demonstrating the benefits of a new way of working. Nonetheless, even with substantial subsidy, existing SIBs have failed to attract mainstream private investors. Indeed, social impact bonds may constitute too much risk, relative to the return available for successful completion, for traditional financiers ever to consider them a worthwhile investment on anything other than a micro scale (Keohane et al 2013).

28 This group does not include long-term entrenched rough sleepers, who already have a dedicated outreach programme in London, or those new to the streets who are the focus of the recently launched No Second Night Out scheme.

29 Source: authors' interview with staff.

The uncertainty involved in dealing with complex problems, where outcomes are far from assured, adversely affects the terms for investors because the state, which wants to shift the risk of paying for failure on to private finance, will adjust the threshold and payment scale for success to reflect the high margin for error (ibid). If social impact bonds end up combining equity-like risk with bond-like returns, then the market will likely be limited to philanthropic and socially minded individuals (Liebman 2011).

The high level of risk involved may also have knock-on effects for service providers, as financing organisations may be encouraged to exercise a degree of control over what happens 'on the ground' in order to maintain the value of the bonds issued. This could mean that funding for service provision becomes precarious and dependent on constant evaluations of efficacy. At scale, SIBs could come to resemble the prime contractor model much more closely than their proponents hope, limiting the autonomy of voluntary and community sector providers.

As a variation on payment by results, the social impact bond model has been held up by policymakers as an option for funding support to tackle intractable problems in future, as it does not require upfront investment from either such small organisations or the state itself.[30] The previous government announced a further raft of SIBs, including a programme to work with 2,000 homeless young people (DPMO 2014), and has stated that it expects the scale of social investment to shift from small-scale lending in pilots and trials, to larger investments underpinning successful bids (DWP 2014).

However, there is no evidence yet that they work successfully to attract private investment in socially beneficial yet commercially risky projects. Furthermore, because of the inclusion of third party financiers and investors in commissioning arrangements, a successful SIB will always be more expensive than if services were commissioned directly.[31]

3.5 Decentralisation

Key learning points

- Greater local autonomy in deciding how and where funds are spent can drive better outcomes.
- Clear local accountability is needed to reduce the risk of finance being diverted away from where it is needed most.
- Devolution to date has been to 'traditional' centres of local power (local authorities), with central accountability for services and spend. A more ambitious model would recognise the role of communities and individuals in co-producing solutions.

Safeguarding accountability

There is growing political consensus that greater decentralisation of finance and decision-making power is needed to improve outcomes from public services (Cox et al 2014). However, some critics suggest that further decentralisation runs the risk of creating a 'postcode lottery', whereby access to and the quality of services varies between areas. For disadvantaged groups in particular, there is concern that weakened entitlements to support could mean that crucial services are withdrawn for unpopular groups.

30 The state agrees to pay a private finance organisation only if predetermined social outcomes are achieved.

31 Because the government may have to pay back investors with interest and a bonus, or a return on investment, and because the mechanics of this model require a large number of consultants and intermediaries, the government must budget for the potential payment using an amount that is greater than the investors provide to the programme. In Massachusetts, for example, the state is liable for up to $27 million in payments for their social impact bond pilot programme, yet the investors are providing only $12 million in funding (McKay 2013).

In this section we examine two examples of decentralisation. First, we examine the impact of the removal of the ringfence around the Supporting People budget under the last government; and second, we consider changes in funding for substance misuse.

The Supporting People programme was launched in 2003 to fund a variety of services aimed at helping vulnerable people live independently but the ringfence on its funding was removed in 2009 in order to 'minimise the barriers to local authorities using their mainstream resources to support their priorities' (DCLG 2008b).

Supporting People

The Supporting People (SP) programme was a £1.8 billion ringfenced budget for local authorities to fund a variety of services to enable people to live independently, avoiding institutional care such as hospitals, prison or a life on the streets. The programme was designed to bring together a number of funding streams to create a single budget for local authorities to spend on the accommodation support that they considered to be most effective.

The SP programme delivered improvements in value for money through this joined up approach, which resulted in more intelligent commissioning and procurement of services. In 2009, an evaluation of the programme found that it was supporting a greater number of service users, at a higher level of quality, for a smaller overall cost to the exchequer (£1.69 billion compared to £1.81 billion in 2003/4) (Audit Commission 2009).

In 2009, the ringfence surrounding SP funding was removed. From April 2011, funding has been distributed to local authorities as part of their overall formula grant. The de-ringfencing came at a time when local authorities' budgets were being drastically reduced. Settlement Funding Assessments for local authorities in England fell by 9.4 per cent in 2014/15 and illustrative figures for 2015/16 suggest a further decrease of 15.2 per cent (DCLG 2015). As overall budgets are squeezed, some local authorities are using the lack of ringfencing around the grant to fund other services which they have a statutory duty to provide and that have seen significant reductions in funding.

A key reason for this is the loss of accountability structures, effectively removing much of the responsibility for the allocation of funding. The programme was previously held accountable at the national level through reporting against national indicators, and locally through requirements to include structures that ensured that service users had a voice in decisions made. There were also requirements for service providers receiving Supporting People funding to submit annual returns to local authorities for quality control and performance management with data collated nationally. Since the removal of the ringfence, however, local authorities are no longer required to include such accountability structures and, as the need to make savings becomes more pressing, many have elected to remove them entirely.

The National Audit Office estimates that spending on Supporting People has fallen by a median of 45.3 per cent from 2010/11 to 2014/15, across single-tier and county councils. Cuts are being made to any service that the local authority is not required to provide. This has had a direct knock-on effect on services. Forty-nine out of 138 council staff across England reported that their employer had reduced its ability to provide emergency accommodation to rough sleepers (Spurr 2014). In its own analysis of 2013 homelessness data, Homeless Link found that the number of accommodation projects was at its lowest since 2009 (down 11 per cent) and the number of beds was at its lowest since their records began (Homeless Link 2013). In Derby, for example, estimated rough sleeping numbers have almost doubled at the same time as the city council has made 82 per cent cuts to its supported housing budget (Henderson 2014). A survey of providers working with people with multiple needs found that 56 per cent think that the removal of the ringfence around the Supporting People housing budget has led to a negative impact on their clients (Drinkwater et al 2013).

The removal of the Supporting People ringfence was supposed to allow local authorities greater freedom to commission tailored support, informed by local priorities. Instead, fuelled at least in part by the need to offset significant cuts to their overall budgets, many local authorities have made significant cuts to their

budgets for housing support. Many have also cut staff salaries and stopped carrying out effective monitoring practices, which will strongly affect the quality of service provided (Homeless Link 2013).

Under the previous Coalition government, funding for community and prison drug treatment services was similarly de-ringfenced and absorbed into a combined local budget for public health, controlled by top-tier local authorities and informed by health and wellbeing boards (HWB).[32] Central government has provided a framework of 66 indicators that may be used for assessing this need, but it is down to HWBs to determine local priorities.

Substance misuse funding

Funding for community-based drug treatment provides another recent example of de-ringfencing. As of April 2013, much of the commissioning of substance misuse treatment and recovery services now falls under the remit of top-tier local authorities, with funding being handled by a new commissioner for public health and informed by the local health and wellbeing board. This funding will form part of a wider public health budget, meaning that authorities are not obliged to spend this on drug or alcohol treatment.[33]

By incorporating funding for local drugs services into a wider health and wellbeing strategy there is potential to fund preventative interventions, and to work more closely with other relevant services. However, there is also a risk that substance misuse services are not prioritised by local areas, leading to wholescale cuts, as has happened with the Supporting People programme. Forty-one per cent of mental health providers and 33 per cent of substance abuse providers rated this change as having a negative impact on people with multiple needs, in a survey for the MEAM coalition of charities (Drinkwater et al 2013).

There are concerns about the potential for substance misuse services to be deprioritised and funding used for more 'popular' causes (Roberts 2012), as just three out of 66 indicators in the public health framework directly relate to drug treatment, despite it representing a third of total funds. Health and wellbeing boards are intended to exercise a form of 'soft power' on commissioning, by encouraging the use of pooled budgets and integrated provision through the development of a strategic needs assessment and a partnership approach to commissioning.[34] The public health outcomes framework gives a clear sense of the core resources available and the outcomes the Department of Health expects from those resources. But accountability for this does not lie with Public Health England: instead the accountability is sector-led (based on peer review from LGA and/or other local authorities). The Department of Health will simply receive a basic report on how their resources have been spent.

In removing the ringfence around the substance misuse budget, services are made vulnerable to cuts (however reluctantly implemented) in order to shore up funding for statutory services, as has happened with the Supporting People budget. There is evidence already, for example, that some health and wellbeing boards are overlooking the needs of homeless people (Hutchinson et al 2014). Furthermore, a survey of local authority commissioning intentions found that, of those where a decision had been made, 34 per cent of areas expected to make cuts to substance misuse services

32 HWBs are charged with developing a long-term strategy based on an assessment of local need at a community level. The boards, which took on their statutory functions in April 2013, must comprise of at least a local elected council member, the director of public health for the local authority and representatives of the local Healthwatch organisation, local clinical commissioning group, director for adult social services, director for children's services and director of public health.

33 This includes combined funding from the Home Office and the Department of Health through the Pooled Treatment budget, and 60 per cent of the current Drug Intervention Programme budget.

34 HWBs have no legal powers and at present their statutory role is strictly advisory. Nonetheless, 83 per cent of boards are chaired by a local authority elected member, and just under half have a lead from the clinical commissioning group as a vice-chair: a sign of the importance local authorities attach to them. Some are also afforded executive decision-making powers as committees within local authorities (Humphries and Galea 2013).

in 2015/16, and only 7 per cent expected to fund more services (Public Health England and the Association of Directors of Public Health 2014). Clear accountability structures are one way to reduce this risk, but the Supporting People budget was devolved under New Labour with no accountability attached. Time will tell whether or not the new HWBs will be up to the task of policing spending effectively.

It should be stressed that while greater flexibility of funding at the local level is important, increased localism in and of itself does not necessarily lead to better outcomes (Painter et al 2011). Devolving funding is a 'necessary but insufficient' condition of a more localised agenda, in as much as awarding local government more control over how funding is used can replicate the same decision-making structures at a lower spatial scale (Richardson and Durose 2013). In particular, when accountability remains the same – with elected officials charged with decision-making and the role of the citizen and the community limited to expressing (dis)approval through the ballot box – the risk of minority voices being excluded remains high.

A more collaborative form of decentralised governance would instead include citizen leadership and control of governance, with shared decision-making authority and groups of citizens recognised as local experts, starting from the assumption that government 'can lead and can enable' (Robinson 2013). But by itself this provides only a partial means to finding the most effective way to resolve problems.

Beyond forms of governance, there is also a need for more collaborative forms of service delivery, which draw on existing social and community networks and the experience and expertise of service users. The Wandsworth Community Empowerment Network (WCEN) is a good example of a collaboration that is brokering productive relationships between state services and community leadership in order to enable respected and trusted people and organisations to better support vulnerable people in their communities.

Wandsworth Community Empowerment Network

Formed in 2001 as one of 88 community empowerment networks across the country as part of the national strategy for neighbourhood renewal, Wandsworth Community Empowerment Network (WCEN) aims to broker, strengthen and rebalance relationships between key actors within communities, including both services and community groups. It aims to get public services to meet communities 'halfway', and on equal terms, to come up with collectively owned solutions to local problems.

For example, concerns about mental health problems in a local black community led to WCEN negotiating a scheme with the local mental health trust to train 12 black church pastors in multisystemic family therapy. Many local people were only reaching local services at crisis point, but WCEN argued that many in the community were more likely to turn to church leaders than local services in times of need. WCEN also worked in partnership with the mental health trust to develop Improved Access to Psychological Therapies services in this locality, with an aim to address these issues of access and effectiveness of service delivery.

WCEN's approach explicitly recognises the limits of the state's role in people's lives, and argues that many people are more likely to trust, respect and seek support from people in their own personal and social networks, including community groups, before turning to service solutions. At the same time, it is noted that these networks often lack sufficient resources, knowledge and expertise to adequately address people's problems. Seen through this prism, solving people's problems involves a) linking up state and non-state actors towards a common goal, and b) shifting state resources, knowledge and expertise into respected community networks so that they are better empowered to help people.

The WCEN differs from a more 'traditional' approach to policy in the importance it attributes to social capital, diversity and taking a more open-ended approach to engaging with people's wider family and social networks. However, as yet, these kinds of projects have only ever been delivered at a small scale, often through local groups driven by dedicated individuals.

In contrast to large national programmes, a decentralised approach to tackling disadvantage holds the promise of greater tailoring of services to local and individual need, as well as more opportunities for people to have a meaningful voice. However, these examples demonstrate how proper accountability structures are essential to ensuring positive outcomes. Devolution thus far has been to 'traditional' centres of local power (local authorities), with central accountability for services and spending. A more ambitious model would recognise the role of communities and individuals in co-producing solutions.

4.
CONCLUSIONS AND WAYS FORWARD

Overarching learning points:

- **Local ownership delivers strong outcomes but requires national leadership.**
- **Fundamental reform, or 'systems change' needs to start with local funding integration.**
- **Disadvantaged groups have experienced ever more compliance and conditionality, not greater choice and control.**

Three key conclusions can be drawn from the findings in this report to help us construct a new approach to tackling exclusion, particularly for those facing multiple and complex needs.

The first conclusion from our analysis is that local ownership of a problem, whether reducing homelessness or supporting excluded families, has delivered more lasting and transformative changes to public services than centralised, bolt-on programmes. However, this often requires national leadership – not least because it helps to bring reluctant partners on board locally. We saw that programmes typically work best when local authorities or agencies, rather than a central government department or unit, are made accountable for the results. The experience of the Rough Sleepers Unit (RSU) in central government, for example, showed that for as long as the RSU was accountable for results, the priority given to homelessness by local authorities did not extend far beyond headline targets. While the Homelessness Act led to a more preventative approach locally, it was only the devolution of budgets associated with rough sleeping teams that drove sustained local authority responsibility (though there is still an absence of local accountability for those who are not deemed statutorily homeless).

Despite this, government continues to invest heavily in centralised programmes such as the Work Programme and the forthcoming Transforming Rehabilitation programme in the probation service. These programmes lock resources into a single prime provider and their supply chain, with oversight and accountability resting with central government. This prevents the local ownership that is needed to facilitate integration between the wide range of services people need for holistic support.

Both the Work Programme and Troubled Families programme have also highlighted the weakness of using payment by results to measure progress for people facing multiple disadvantage. The key weakness is the difficulty of pinpointing a single intervention or factor as the cause of an individual's progress with complex social problems. Centralised payment-by-results models are unsuitable for this task and risk outcome payments from central government not properly reflecting what local areas have actually achieved. An alternative approach would be to allow local authorities to design the criteria for involvement in such schemes with far greater service user input, and to hold them to account for progress against *area-based*, rather than *individual* or *national* indicators of deep social exclusion.

But while locally led efforts have been most effective in tackling social exclusion, these have largely still depended on strong political leadership from central government. In the case of the Troubled Families programme (and Family Intervention programmes before this) a relatively small pot of central funding, plus evidence of potential cost savings, has signalled a national priority and mobilised additional financial commitments and energy from

local areas. In contrast to previous programmes such as the Neighbourhood Renewal or New Deal programmes under the New Labour governments, this programme has in some areas led to far greater integration and coordination between local services and is having a lasting influence on the way they are funded and provided.

Indeed, the second key conclusion we can draw from our findings is that fundamental reform of public services for disadvantaged groups requires both local ownership and local integration of funding. This encourages local authorities and their partners to work across departmental silos and to commission services that work with people, rather than problems. The Supporting People fund provides a good illustration of how pooling local funding can reduce the risk of duplication and shift budgets towards prevention. However, Supporting People also shows that without protection from central government, budgets for vulnerable groups are liable to see heavy reductions (though this risk has undoubtedly been exacerbated by austerity conditions). Therefore if more local control and integration of funding streams is a prerequisite for whole-person support, it will need to be matched by clear local accountability for the first time to prevent funding being diverted to more popular or politically appealing causes.

The third conclusion we draw is that while in services like health and social care there has been a trend towards encouraging service users to take greater ownership of services and to exercise choice and control, disadvantaged groups have increasingly had goals and outcomes set centrally, with punitive measures for failing to comply. In employment support programmes, homelessness services and drug and alcohol treatment, we note how over the past decade socially excluded adults have increasingly been subject to mechanisms like payment by results,[35] which offer very limited scope for the service user to have input into the way support is provided. Those living with multiple problems have the greatest insights into what would enable them to turn their lives around, and their input should be sought in setting their care goals and in designing the services they use, just as for other groups using health and care services. Involvement, however, is often interpreted in its narrowest sense, with consultations and similarly 'tokenistic' practices more prevalent. More broadly, on leaving services, structured opportunities for ongoing peer support and routes into participation, training and employment are sketchy, despite growing evidence of the importance of social bonds and meaningful activity for sustaining improvements made as a result of professional support, as we saw in chapter 2.

The contribution of 'systems change' thinking

> *'It is one thing to know what good looks like and quite another to make that happen. This is especially true when this requires the interests of multiple systems to be aligned. Effective practice often requires wider systems to change to allow it to exist, and this is where things tend to unravel. By definition, the systems that support people who face multiple needs are complex. It is notoriously hard to get different services and organisations to work together cohesively. Money is often locked into the crisis and institutional ends of the system. And it can be hard to change professional practices, working cultures and vested interests.'*
> LankellyChase Foundation 2015

A small but growing number of initiatives have attempted to confront the challenge outlined above by working to bring different parts of the system together to forge a common language, priorities and strategies for new ways of working. This is

35 For example in the Work Programme and Troubled Families scheme, in selected pilots for substance misuse and homelessness, and shortly in probation services through Transforming Rehabilitation.

based on 'systems change'[36] thinking, which suggests that the key to achieving fundamental reform is to ask what values services are fundamentally designed to uphold, and from this point to evaluate new ways to maximise that value, rather than 'gatekeeping' services in a misplaced effort to increase their efficiency.

Louise Casey, who heads the Troubled Families programme, has described it as an example of an attempt to bring about 'systems change' more widely. As we saw earlier, in contrast to some previous initiatives to improve local integration (such as the City Strategy pathfinders and case management processes like Team Around the Family), the scheme appears to be having some success in achieving this (see section 3.1). Examples of systems change in practice are still quite limited.[37] However, they do suggest that fundamental reform can only be achieved with greater local service integration, because the 'value' of services lies not in the specialism of each service but in the integrated responses that can respond to the whole person.

Finally then, based on these lessons and promising ways forward, we argue that the core elements of any successful approach to tackling multiple needs should include:

- an area-based, decentralised approach
- clear national priorities set by central government to galvanise local leadership and civil society
- integrated and ringfenced funding managed at the local level
- local accountability
- clear incentives for wider systems to change
- service user leadership.

36 The theory behind systems change is that services are currently designed according to a 'manufacturing ideal' that frames service users in terms of need and deficit, allocates them to separate and specialised services, and pursues cost-cutting 'efficiency' measures, all of which serves to prevent a focus on addressing the individual as a whole person. See Seddon 2008.

37 Although see Locality 2014 for more examples.

5.
TOWARDS A NATIONAL ‘TROUBLED LIVES’ PROGRAMME

In this review of key public service reforms to improve the lives of disadvantaged groups, we find that what all previous reforms have in common is the failure to give local areas the powers, responsibility and accountability for improving the lives of the most excluded. This is despite evidence suggesting that local ownership makes success more likely. As a result, little has been done to alter the fact that disadvantaged groups are systematically excluded from the services they need most, often due to a lack of entitlement to support and institutional bias.

This was acknowledged by the Coalition government in its 2015 budget commitment to assess how to reduce the £4.3 billion spent on ‘troubled individuals’, and by the new Conservative government, which is examining extending the Troubled Families programme to this group as part of their preparations for the spending review.

We propose that multiple and complex needs is chosen as one of a small number of priority issues for investment in local integration and service transformation at the next spending review. A new ‘Troubled Lives’ programme should be introduced to take this forward, based on the Troubled Families model of centrally driven but locally led reform.

A number of proposals have been made regarding precisely which individuals with multiple and complex needs should be the focus of such a national priority. The March 2015 budget statement identified a core group of ‘troubled individuals struggling with homelessness, addiction and mental health problems’, as featured in Bramley and Fitzpatrick (2015). There have also been proposals to include those facing entrenched worklessness, mental health problems or disabilities, and repeat offenders (PSTP 2014). We argue that a narrower focus will help provide clarity over objectives and scope. We propose that the focus is approximately a quarter of a million individuals who experience two or more of the following problems: homelessness, substance misuse and offending.

Government has several options for supporting local authorities to work towards this national priority. In a first option, building on the Greater Manchester Agreement and recent announcements from the chancellor (HM Treasury 2015b), ‘devolution deals’ or extensions to existing community budgets could be agreed between central government and local authorities to deliver on the national outcome for multiple needs. But while this option would increase local autonomy, on their own these deals would not have the levers necessary to achieve ‘systems change’.

A second option would be to offer funding through a 100 per cent payment-by-results system. But although this would ensure targeted support for this group, past experience suggests it would limit local ownership and risk a standardised approach.

A third option would be to combine local pooling of funds to improve integration with a pay-for-performance element. In this option, a central funding pot could be established for a Troubled Lives fund – two-thirds of which would be devolved to local areas on the condition that this was matched by locally pooled budgets – to cover the costs involved in creating more integrated local services and providing intensive support from a keyworker. The final third of this fund would be awarded

to local authorities on a pay-for-performance basis, with a requirement to show reduced demand for expensive crisis care services after one year.

Ultimately, local delivery would differ depending on local circumstances, with devolution deals or extensions to community budgets a better option in some places. But for most areas, the Troubled Lives fund would provide a powerful incentive to redesign services for the long term.

Links with employment support and other key services

Most people with multiple and complex needs are receiving UK benefits, with very few in education, training or employment. Though there is a lack of detailed evidence, some reports suggest that the majority of people with multiple and complex needs are in the 'support' category of ESA claimants (Framework 2015: 16). Average annual spending on benefits for this group is around £1.29 billion, almost a third of the estimated £4.3 billion spent annually on those with multiple and complex needs across all public services (Bramley and Fitzpatrick 2015). This is contributing to high expenditure on incapacity benefits overall, in part because of poor performance by the Work Programme for this group.[38] However, routes into meaningful activity (whether education, employment or training) are currently very weak for those who have successfully completed support to recover from addiction, homelessness or offending. Stigma continues to play a large part in preventing former addicts and offenders from finding their way back into work or community life (UKDPC 2012).

For those who are long-term unemployed or who have a long-term health condition or disability that affects their capacity to work, the Work Programme is intended to provide a solution. But as we saw in section 3.3 the Work Programme model is not well suited to people who have a reduced capacity to work, and who require more specific and long-term support to enable them to enter employment.[39]

IPPR has argued that this group of people should also be offered supported employment (such as targeted 'place, train and maintain' programmes used in countries such as Norway and Sweden – see Cooke et al 2015), not just supported job-search through the Work Programme. We have argued for a new supported employment programme for ESA claimants that would be led by local areas and would draw together a range of services and support in a way that a nationally commissioned, prime contractor model cannot (ibid). This arrangement is already conceivable in a city such as Manchester, where support for those on ESA has been devolved and is creating new links across employment, health and housing services (MCC 2014). The devolution of the city region's £6 billion health and social care budget is opening up opportunities for more integrated commissioning, across for example mental health support and employment (Guardian 2015).

Finally, the 'single service system' is perpetuated by funding and accountability regimes that only deal in individual problems, whether substance misuse, homelessness or offending. Given the degree of overlap we now understand exists between these systems, linking data between these different systems would allow for new integrated measures of multiple and complex needs that would help establish a clearer picture of service use and progress against outcomes.

38 In 2015–16 spending on incapacity benefits was £4.5 billion higher than the OBR projected in 2011. The OBR now projects that spending on these benefits (and therefore the number of claimants) will continue to increase through to 2019–20.

39 In practice, only a small minority of those with long-term health conditions or disabilities participate in the Work Programme. Most receive no support, except for a work-focused interview at Jobcentre Plus every six months, and for others there is no mandatory engagement at all. Those in the ESA 'support group', who make up a growing share of all ESA claimants, have no mandatory engagement at all.

Recommendations

To summarise, we propose six reforms to be introduced as part of the next spending review.

Recommendation 1: Multiple and complex needs is chosen as one of a small number of priority issues for investment in local integration and service transformation. A new Troubled Lives programme is established for this, based on the Troubled Families model of centrally driven but locally led reform. The focus of the programme is approximately a quarter of a million individuals who experience two or more of the following problems: homelessness, substance misuse and offending.

Recommendation 2: A central funding pot of up to £100 million a year for four years is established for a Troubled Lives fund[40] to support upper-tier local authorities to integrate local services around troubled individuals and provide intensive support from a keyworker. A national, collective outcome is agreed for this investment, bringing together a range of government departments, agencies and upper-tier local authorities to pool funding and deliver joint solutions. As under the expanded Troubled Families programme, however, local areas have flexibility to determine local priorities and set a number of eligibility criteria.

Recommendation 3: Two-thirds of this fund is devolved to local areas to introduce intensive one-to-one support for troubled individuals and to support local service integration and transformation. This funding should be matched by locally pooled budgets.[41] The final third of this fund is awarded to local authorities on a pay-for-performance basis on an incremental scale, with payments being made on the basis of area-level, rather than individual-level outcome indicators. Upper-tier local authorities are required to show reduced demand for expensive crisis care services after one year or more of the scheme. The proportion of the fund awarded on a payment-per-performance basis could rise in subsequent years.

Recommendation 4: While central government sets a small number of success indicators, the design of the programme is developed by upper-tier local authorities in partnership with specialist and voluntary sector organisations and those living with multiple disadvantage, who have the strongest insights into what works. Given the large regional variations in the extent of people with multiple needs, priority areas for this programme should be northern cities, and some seaside towns and central London boroughs.[42] Wider links with economic development and regeneration policy should be developed in each area.

40 We propose that this is funded by top-slicing budgets in at least five departments – the Department for Communities and Local Government, Department for Work and Pensions, Department of Health, Ministry of Justice and the Cabinet Office.

41 The funding ratio for the Troubled Families programme is 2:3 – for example, for the £400 million received by local authorities DCLG expects them and their partners to contribute an additional £600 million worth of services, including resources 'in kind'. We would propose a similar ratio for this fund. Pooled funds could include funding for substance misuse treatment, which currently forms part of local public health budgets and homelessness funding. The annual drug and alcohol treatment budget is worth between £800 million and £1 billion, and councils also receive a share of the £80 million homelessness prevention grant. Other contributions could come from prison substance misuse funding, the police Community Safety budget, community mental health budgets, health services for prisons, the Supporting People grant and clinical commissioning groups, Work Programme providers, Jobcentre Plus, probation trusts and local police forces.

42 See Bramley and Fitzpatrick 2015

Recommendation 5: As part of their proposals for the Troubled Lives fund, upper-tier local authorities should similarly be able to bid for pots of relevant central funding (such as employment support, mental health and community safety funding) to be devolved. Given the high levels of spending on prison for those with the most complex needs, probation funding should be in play too. However, as the budget for medium- to low-risk offenders will be tied up in large-scale contracts as part of the Transforming Rehabilitation reforms, it may not be possible to go any further than establishing co-commissioning or partnership arrangements in most areas.

Recommendation 6: A lack of integrated data to assess outcomes for those with multiple and complex needs reinforces a silo-based approach to funding and delivery. To support the introduction of the programme, the government should charge the new Administrative Data Taskforces[43] with linking data between key government systems dealing with substance misuse, homelessness and offending together with data from social security and from key voluntary sector organisations. The objective should be for government to introduce integrated measures of multiple and complex needs in this parliament, and to begin to report against these measures to assess progress.

43 This was formed in 2011 by the Economic and Social Research Council, the Medical Research Council and the Wellcome Trust.

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