

Book review

Payment by results and social impact bonds: Outcome-based payment systems in the UK and US

Albertson, K., Fox, C., O'Leary, C. and Painter, G.
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Josie Soutar*

Sheffield Hallam University

Payment by results and social impact bonds is a short but well-formed look at the emerging practice of outcome-based commissioning by the public sector. The book aims to pull together some of the key debates occurring in UK/US policy and academic fields about outcome-based commissioning through analysis of the models of Payment by Results (PbR) and related sub-class Social Impact Bonds (SIBs) (or Pay for Success, as the US term has it). Where other academic and policy evaluations have tended to focus on one aspect of PbR or SIBs (see for example Day et al., 2016; Disley et al., 2015; McHugh et al., 2013; Tan et al., 2015), this book aims to offer a more holistic framing, through exploration of a number of technical, economic and political questions raised by these systems and as a way of reviewing the evidence of whether they achieve the outcomes that their advocates claim: 'unlocking new capital investment in order to advance social good'.

PbR and SIBs are a relatively new model of commissioning, entering mainstream UK policy in 2010 and influencing developments in the US from 2012. Given their infancy, the authors start with a brief but helpful overview of the structure of both payment systems and the differences between PbR, where payments are made by commissioners to a contracted agent contingent on achieving specified targets; and SIBs, which utilise a PbR funding model but are entirely reliant on private investors providing the upfront costs to contracting agents.

The book offers three potential theoretical frameworks to explore outcomes-based commissioning. Hood's (1991) New Public Management (NPM), with a focus on private-sector styles of management practice to drive public sector efficiency through measurement, competition and incentivisation, is an obvious first choice. However, the authors acknowledge the criticism of NPM as a 'meso-level' theorisation that describes 'how' policy-makers seek to innovate rather than 'why'. They suggest a second lens, through which outcomes-based commissioning could be viewed as an attempt to solve modern day 'wicked problems' (Rittel and Webber, 1973). The complexity of the global world has led to policy-makers pushing for structures of risk reduction and PbR/SIBs provide a model to transfer the political and financial risk of service failures to providers and investors. The book's third theoretical framing is described as in some

ways being in opposition to NPM. Rather than the marketisation of services, public policy-makers use of outcomes-based commissioning is aiming to 'correct failures of the market', with the emphasis on supply-led SIBs being driven by charities and offering investors an opportunity to invest funds in new asset classes, in contrast to the traditional 'demand-led' side of public-sector commissioning.

Chapters 3 and 4 detail the specifics and comparisons of the markets in the UK and the US, drawing on a few case-study examples, where the main difference between the two countries' respective approaches appears to be that the UK market is driven by Government while in the US there is greater emphasis on independent evaluation from the outset of each programme. The book inevitably gives more prominence to the UK market, largely due to the far greater number of published papers already available that focus on UK projects.

Through a systematic review of published evaluations of PbR/SIB projects, the book reaches its central discussion: drawing on a number of the contradictions when moving theory into practice, the authors focus on the motivations behind the implementation of PbR/SIBs in the areas of commissioning, delivery and intended programme outcomes. Evidence suggests that the complexity of the 'wicked' social problems which these programmes are trying to address means the commissioning of appropriate contracts is both time-consuming and costly. The authors found that the practice of outcome-based commissioning has led to some changes to the market for social goods, with new entrants and leavers, resulting in the development of large 'prime' providers but leaving smaller voluntary and community social enterprises (VCSEs) with the challenge of finding the upfront resources to engage (especially in the UK market). There is some evidence of longer-term financial and delivery innovations for providers as PbR/SIBs enable a move away from short-term grant cycles and very prescriptive delivery contracts. However, the greater emphasis on performance management processes has often stifled design innovation due to their complexity and rigorous performance management requirements.

The authors' overall conclusion is that there is limited evidence that outcome-based commissioning has had a positive effect either on the quality of services delivered or on the outcomes services achieve. In practice, the drive to incentivise desired behaviours of commissioners and providers, of managing risk (including attempting to de-politicise), of reducing costs or increasing efficiency of service provision, has been very difficult to evidence. The authors note that, in the UK SIB market, very few programmes have been subject to impact evaluations as "it is outputs, rather than outcomes which trigger payments" (p.111). Even in the US only 3 evaluations had been published at the time of the book's publication, making it difficult to draw any conclusions. This is perhaps one of the difficulties facing academics trying to apply theoretical frameworks to PbR/SIB structures: the underlying tensions between what these programmes promise and the reality of their application means they do not fit into a neat box for analysis.

It would seem that the time is ripe for shining a spotlight on outcome-based commissioning by the public sector. With enduring austerity and large-scale statutory cuts in the UK, a number of high-profile and costly PbR projects have yielded disappointing results and made the national headlines. Alongside the featured Work Programme, notable PbR failures have included the premature ending of outsourced contracts in the probation system (see for example Grierson, 2018). The book's final message is not whether outcome-based commissioning is good or bad, but rather when and where it may be appropriate.

One of the challenges in writing a book on such an evolving field is that it can soon become dated. Indeed the book's cited 32 UK-based Social Impact Bonds register has

already grown, at last count, to 68 live SIBs (Projects Database, Government Outcomes Lab). Nevertheless, you do not need to be immersed in the academic world of outcome-based commissioning to understand the book's central themes and, for people interested in the field of PbR and SIBs, *Payment by results and social impact bonds* provides a great introduction and overview of the emerging key debates surrounding the subject.

* Correspondence Address: Josie Soutar, Centre for Regional Economic and Social Research, Sheffield Hallam University, City Campus, Sheffield, S1 1WB. Email: josiesoutar@googlemail.com

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