



Department for  
Communities and  
Local Government

# Supporting People Payment by Results pilots

Final Evaluation

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# Introduction

## The Supporting People Payment by Results pilot

1.1 Supporting People services are non-statutory housing support services, commissioned by local authorities, to help vulnerable people, including older people, homeless families, ex-offenders, young people at risk and people with disabilities, to maintain or achieve independence and avoid crises. Funding for Supporting People services is now included in the wider settlement to local authorities with top tier authorities commissioning services according to local needs. The majority of services are provided by local charities and the voluntary and community sector.

1.2 The Supporting People Payment by Results pilots project started in 2011, with assistance from the Department for Communities and Local Government (DCLG). Local authorities were given the option to participate in the pilot and if they chose to do so had the flexibility to develop their own approaches to pilot the commissioning and delivery of Payment by Results services. Details of the approaches taken and scale of activity is provided in Section 2. Ten local authority areas<sup>1</sup> originally formed part of the pilot, of which six were delivering contracts through the pilot at the time that this final evaluation was prepared<sup>2</sup>.

## Evaluation objectives and approach

1.3 Ekosgen, in conjunction with Supporting People Solutions, was appointed in late 2011 to prepare a longitudinal evaluation of the pilot areas' progress and overall pilot achievements. Five evaluation objectives were set by DCLG at the outset of this commission and have guided activity at each stage. They were to:

- Assemble robust evidence on the process issues associated with the implementation of the various Payment by Results models being piloted, for commissioners, providers of services and clients.
- Measure the potential success of Payment by Results pilots in achieving their own bespoke aims and objectives, in addition to the overarching aims of enhancing innovation, improving client-led outcomes and achieving better value for money.
- Identify value for money of the Payment by Results models piloted including an understanding of any set up costs, and, if feasible, how this compares to existing and previous Supporting People commissioning models.

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<sup>1</sup> Birmingham; Cheshire West and Chester; Derbyshire; Islington; Kent; Lewisham; Sheffield; Stockport; Southend-on-Sea; and Torbay.

<sup>2</sup> Cheshire West and Chester; Derbyshire; Lewisham; Sheffield; Stockport; and Southend-on-Sea.

- Identify whether client needs have been met in terms of outcomes achieved and in particular whether a focus on payment-triggering outcomes has been at the expense of client-led ones<sup>3</sup>.
- Identify lessons learnt and emerging practice developed by the pilots, both in terms of commissioning and providing services.

1.4 The evaluation has been delivered in five phases, summarised below. Early evaluation stages focused on the nature of Payment by Results activity being delivered in each of the pilot areas, including the models used, whilst the final two phases have focused on lessons identified and achievements against the initial pilot objectives.

Evaluation phases	
Phase	Timing
Scoping	Completed December 2011
Interim	Completed June 2012
Update	Completed November 2012
Lessons guide	Completed March 2013
Final	Completed April 2014

1.5 At each stage, consultations have been completed with commissioners and, in the majority of cases, providers to understand how the pilot has been progressing and secure first hand experiences<sup>4</sup>. By liaising with the pilot areas on a regular basis, the evaluation has been able to capture experience over time and see how the pilot areas have responded to both opportunities and challenges presented by Payment by Results .

1.6 The final evaluation stage was originally intended to place a strong focus on assessing the impacts of the Payment by Results pilots, including through a comparator analysis with non-Payment by Results areas and/or services and an assessment of reported outcome achievements. Discussions with commissioners in the pilot areas confirmed that robust comparator assessment would not be possible due to factors including the introduction of new outcome indicators and different packaging of activities under Payment by Results . It has also not been possible to comprehensively assess programme performance across the pilots due to the different indicators used in each area and methods of collection. At the point of preparing this report, data to the end of the 2013/14 financial year was also not available. The approach was therefore amended to focus on qualitative evidence within the pilot areas and to glean learning from other councils implementing Payment by Results outside the pilots.

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<sup>3</sup> Assessment of this objective is based on a review of management information and consultations with commissioners and providers. A decision not to undertake client consultations was agreed with DCLG.

<sup>4</sup> All six remaining commissioners were consulted as part of the final evaluation stage and 12 providers (7 in Stockport, 2 in Lewisham, 2 in Sheffield and 1 in Southend-on-Sea). No providers in Derbyshire were consulted as part of the final evaluation due to an ongoing consultation exercise regarding the future of SP contracts.

## Recognising the delivery context

1.7 It is important to note at an early stage the complex context in which the Payment by Results pilots have operated. Since the pilots started in 2011, there have been widescale changes in both the funding and operational context for the delivery of Supporting People services. It has been a time of great uncertainty for all of those involved in the pilots, including due to the economic recession and public sector reduction in funding which have resulted in local budget reductions and the re-organisation of many Supporting People teams. Across both commissioner and provider organisations there has been a high level of staff turn over and at times caution to do things differently, in a sector that is already risk adverse due to working with vulnerable people.

## Report purpose and content

1.8 This report sets out the final evaluation findings. It draws together findings from across the evaluation phases to provide a rounded assessment of the Supporting People Payment by Results pilots over their lifetime, as well as proposals for the continuation of Payment by Results delivery and lessons to be applied to later contracts.

1.9 The document has been structured to first provide an update on Payment by Results activities and then to consider key findings against each of the evaluation objectives. Following this introductory section, the document therefore provides:

- Section 2: an overview of local authorities' reasons for pilot engagement, the nature of models adopted and scale of activity delivered.
- Section 3: an assessment of the implementation approaches adopted as a consequence of Payment by Results.
- Section 4: consideration of progress against local pilot area and overarching pilot objectives.
- Section 5: assessment of the extent to which value for money has been achieved through the pilots.
- Section 6: a review of approaches to and success in responding to client needs.
- Section 7: an overview of lessons learnt through the pilot, from both a commissioner and provider perspective.
- Section 8: conclusions drawn through the evaluation.

## 2 Scope of the Payment by Results pilots

### Introduction

2.1 Examination of the rationale and models introduced for Payment by Results has formed a central element of previous evaluation phases. This section therefore provides an overview of the approaches taken and sets out the latest scale of Payment by Results pilot activity and future plans for Payment by Results in the pilot authorities.

### Reasons for introducing Payment by Results terms

2.2 Each of the initial ten pilot areas opted to take part in the pilots and wished to trial the commissioning of Payment by Results contracts for a variety of reasons. There are however common themes in the responses given:

- To encourage providers to focus on the outcomes of the support they supply to clients rather than the activities they undertake;
- To test whether Payment by Results results in cost-efficiencies and improved value for money;
- To encourage innovation amongst providers and/or offer greater flexibility to construct services that enable clients to achieve outcomes; and
- To obtain robust evidence about the outcomes and impacts of housing related support interventions.

2.3 These points mirror the findings of the Audit Commission's review of Payment by Results commissioning<sup>5</sup>. The extent to which they have been realised is considered in Section 4.

2.4 A number of the Supporting People Payment by Results pilot areas have also engaged in other pilot initiatives and had a strong appetite to test new approaches. For instance, at the time of undertaking the interim evaluation, Kent's Drug and Alcohol Team were part of the Department of Health Payment by Results pilot and Cheshire West and Chester Council was one of four areas taking part in the Community Budgets pilot.

### Models adopted

2.5 In many pilot areas, commissioners actively involved providers, and in some cases clients, in the development of Payment by Results models. In those areas where providers have been heavily involved in the process, they appear to be more comfortable with the terms adopted.

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<sup>5</sup> *Local Payment by Results. Briefing: Payment by results for local services*, Audit Commission, April 2012.

2.6 Although commissioners had the flexibility to adopt Payment by Results models of their choice, there has been limited variation. The dominant model has been a 80% core payment and 20% performance uplift to a capped maximum value, in part reflecting the high number of Payment by Results contracts operating in Derbyshire and Stockport (see later in this section). The variety of terms has however increased over time, for example as Derbyshire introduced new contracts with a rising proportion of contract value linked to performance over time. The models initially selected in the eight areas that piloted Payment by Results terms<sup>6</sup> are summarised overleaf.

Supporting People Payment by Results payment models	
Type	Pilot Authorities
Core Contract with Performance Uplift	Derbyshire, Torbay, Stockport, Cheshire West and Chester
Core Contract with Performance Uplift and Reward	Sheffield, Southend-on-Sea, Lewisham
Staff/Team Based Performance Reward Not Linked to Contract	Birmingham

2.7 The models adopted reflected a series of factors, including:

- The ability of local authorities to fund payments above a fixed level;
- The perceived nature of incentive required to make Payment by Results a success;
- The nature of services within the pilot's scope; and
- Understanding of experience and good practice from previous Payment by Results contracts (usually outside the local authority area).

2.8 Payment terms have also varied across the pilots. For example, in Derbyshire payments are made every four weeks with quarterly clawback of the uplift element if required while in Southend-on-Sea the performance payment has been made at the end of the financial year. The frequency of payments and timing of performance elements has been a concern for some providers (particularly small organisations), as considered further in Section 3.

2.9 In some areas, Payment by Results terms were introduced as variations to existing contracts (e.g. Stockport and Torbay) while in others terms have been introduced as contracts have been re-tendered (e.g. Derbyshire). Once terms have been introduced, they have typically remained constant throughout the pilot period. For contracts to date, the degree of risk transfer to the providers is modest, although there is no or only very limited upside risk.

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<sup>6</sup> This excludes Kent (did not reach the point of contracting) and Islington (intended to operate on a virtual basis throughout the pilot period).

## Scale of pilot activity

2.10 At the time of preparing this final evaluation report, there were 41 live Payment by Results contracts covering a range of Supporting People service types and client groups, as summarised below. Derbyshire and Stockport have been the two pilot areas to most comprehensively embrace Payment by Results, with Derbyshire rolling the terms out across all short term<sup>7</sup> Supporting People services as contracts have come up for renewal<sup>8</sup> and Stockport now covering a high proportion of their total Supporting People services and a quarter of total Supporting People spend.

Live Supporting People Payment by Results contracts			
Pilot area	No. of contracts	Contract titles	No. of providers
Cheshire West and Chester	1 <sup>9</sup>	Homelessness service	2*
Derbyshire	23 <sup>10</sup>	All short term Supporting People contracts	13*
Lewisham	1	Young People's Assessment Centre	1
Sheffield	1	Homeless Prevention and Resettlement	1
Southend-on-Sea	1	Floating support	1
Stockport	14 <sup>^</sup>	Mix of residential and floating support services for groups including people with mental health issues, ex-offenders and victims of domestic abuse.	9
* includes providers working as part of consortia			
<sup>^</sup> an older people's service has been added since the previous evaluation phase			

2.11 Outside Derbyshire and Stockport, the Payment by Results pilots have been cautious, driven by concerns about the appropriateness of Payment by Results for the client group and in the context of a provider market constituted primarily by third sector providers as well as a desire to pilot the approach prior to wider roll out. Challenges not specific to Payment by Results, for example local budget reductions and organisational changes occurring during the pilot timescales, have also had an impact on the extent to

<sup>7</sup> Short-term services provide housing related support to clients for up to two years.

<sup>8</sup> It should however be noted that Derbyshire has recently relaxed Payment by Results terms as all Supporting People services are subject to a consultation process which will result in either the de-commissioning or re-modelling of services.

<sup>9</sup> Although this contract is live, Payment by Results payment terms have not yet been enforced. The provider is collecting monitoring information but payments have not been linked to them to date. This flexibility has been offered due to challenges in securing the accommodation required to deliver the service to the proposed specification that are beyond the provider's control.

<sup>10</sup> The number of live contracts in Derbyshire reduced over the pilot period as re-contracting caused previously separate contracts to be merged together. In March 2012, the number of live Payment by Results contracts reached 77 (53 of which were in Derbyshire) but a number of commissioners recognised there was value in bringing small services together.

which the pilot areas have been able to develop their Payment by Results approaches. Non-Payment by Results specific factors were responsible for one pilot area (Kent) not making it to the point of contracting Payment by Results terms and others concluding their pilot activities early (e.g. Torbay), with the most pressing issue being budget constraints.

## Proposals beyond the pilot period

2.12 Timescales for conclusion of current Payment by Results contracts in each of the pilot areas are summarised below. This shows that 38 out of 41 contracts (93%) could potentially conclude by the end of 2014.

Payment by Results contract delivery timescales	
Authority	Contract end dates
Cheshire West and Chester	April 2017
Derbyshire*	March and September 2014
Lewisham	2016 (Young People's Assessment Centre)
Sheffield	April 2015 (Homeless Prevention)
Southend-on-Sea	Originally August 2013 – extended to October 2014 <sup>11</sup>
Stockport	October 2014
* Recently let contracts have the option to extend by 3 x 1 year periods, although see earlier update	

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<sup>11</sup> Terms have been changed in light of recent welfare reform. The contract now includes 15 to 20 interventions designed to assist residents meet the new costs associated with under occupancy. The commissioner is gathering baseline data on which to set the targets and there will be no financial Payment by Results element, rather the commissioner and provider have agreed that a contract extension will be awarded if the targets are met.

2.13 Beyond this, plans for continuation of Payment by Results terms and the application of lessons from Payment by Results delivery to wider Supporting People services varies. For example, although Derbyshire would like to continue Payment by Results contract terms, plans have been impacted by budget cuts which restrict the authority's ability to offer the level of monitoring and audit required under Payment by Results terms. In Stockport, whilst the commissioner considers Payment by Results to have been a positive experience, Payment by Results terms will conclude in October 2014 (as per current contract terms, unless providers request otherwise) but there are proposals to roll out the outcomes and monitoring framework<sup>12</sup> developed under Payment by Results to all Supporting People services (short and long term) beyond this. In Cheshire West and Chester, an uplift element has been included in the value of a recent contract to provide a focus for the provider but the monitoring burden for associated outcomes has been minimised, relative to Payment by Results, to focus on fewer indicators<sup>13</sup>.

2.14 In some pilot areas, commissioners and providers have concluded that while there are merits to a Payment by Results approach in Supporting People context, there are some client groups for whom it is not appropriate. In Sheffield, the challenges around access to monitoring data from other agencies (see Section 3) mean that this service will not continue under Payment by Results terms. In Lewisham, the provider delivering the assessment centre contract felt that Payment by Results was not appropriate as a lack of beds available at other providers to support client move on had led to missed payments. They therefore feel that Payment by Results is suitable for support at the end of the housing pathway rather than at the start (i.e. in an assessment centre context).

*'We wouldn't do it again for this type of service. We have learnt that Payment by Results is not appropriate for all contracts but it can be useful – we will apply the lessons learnt in the planning of new Payment by Results services.'* – Commissioner.

*'We're not against Payment by Results – I think it can work really well in the right context – but in an assessment centre it is very difficult to do.'* – Provider

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<sup>12</sup> Which includes a menu of outcome indicators, definition of progression steps under each and a consistent monitoring system (soon to transfer over to an online approach) to allow achievements to be captured.

<sup>13</sup> The main Cheshire West and Chester Payment by Results contract uses a series of progression steps across a range of indicators to monitor performance. New contracts are expected to focus on fewer indicators and outcome achievements rather than progression.

## Payment by Results outside the pilot areas

2.15 A limited number of instances of Payment by Results models being trialled in Supporting People services outside the DCLG supported pilot are also evident. Four areas have been consulted as part of this final evaluation stage to understand the approaches being taken. In summary, the approaches are:

- Birmingham: an extensive pilot of Payment by Outcomes (PbO) in housing support services between April 2013 and March 2014 involving 20 providers, 21 services and 1,468 services users. Providers volunteered for the pilot, with Payment by Results payments constituting 10% of contract value. The Payment by Results metrics related to outcomes for individual service users.
- Salford: Payment by Results formed part of the establishment of Salford's young people's housing support pathway in September 2012. The provider has a Payment by Results related target of 10% of all young people to return home via the mediation service, and they are paid an additional £2,000 per month when this target is met (c.10% of contract value). The Council is interested in rolling out a Payment by Results approach to other elements of young people's support services.
- Trafford: Payment by Results was introduced when re-tendering an accommodation-based housing service for single homeless men and women in October 2013. The Payment by Results targets related to an increased number of people moving in a planned way and sustaining independence. The contract covered 55 units, with a total annual value of £350,000 and 10% of the contract value linked to outcomes.
- North Lincolnshire: Payment by Results forms part of a re-tender of housing support services, merging eight services for socially excluded client groups into a single contract. The Payment by Results element relates to the Enhanced Payments Scheme component, with the provider paid per service user moving to a less supported service. This is a pilot project, with an annual ceiling of £35,000.

2.16 Further details of Payment by Results activity in each of these four areas are provided in Annex 1.

## In Summary

2.17 The main points raised are:

- A limited number of Payment by Results models have been tested through the pilots, and pilot areas have typically tested Payment by Results terms on a limited number of services.
- The majority of Payment by Results contracts are due to conclude by the end of 2014 and there are no current firm plans within the pilot areas to continue to introduce

Payment by Results terms to contracts beyond this, although some of the non-pilot areas (e.g. Birmingham) may do so.

- Commissioners do however intend to apply lessons from their experience to future Supporting People contracts, for example to maintain a greater focus on client outcomes.

# 3 Implementation approaches

## Introduction

3.1 The evaluation has found varying implications of Payment by Results terms for the processes involved in implementing contracts across the pilot areas. Findings can be grouped around six main headings:

- Provider involvement in the design of Payment by Results contract terms;
- The offer of mobilisation periods when Payment by Results terms are first introduced;
- Accommodating Payment by Results in contracting and monitoring requirements;
- Changes to delivery approaches;
- Protecting against unintended consequences of Payment by Results ; and
- Managing financial risk.

3.2 These topics provide the focus for the remainder of this section.

## Involving providers in the development of Payment by Results terms

3.3 The pilot areas have taken different approaches to involving providers in Payment by Results model design. For example, Cheshire West and Chester used a competitive dialogue process to define their contract terms in conjunction with providers and in Stockport, providers were heavily involved in defining outcome indicators and were given the option of whether they wished to participate in the pilot.

3.4 On the whole, where providers have played an active role in defining the scope of the Payment by Results pilot they report more positive experiences of Payment by Results than those that have not. Linked to this are diverse views regarding the responsiveness of Payment by Results contracts to client needs, as explored in Section 6.

### Example: Market testing the scale of Performance Payments

Lewisham has two Supporting People services operating under Payment by Results. One of these, the *Private-rented-sector Hostel Diversion and Move-on Project* became operational following a contract variation, whilst the other, the *Young People's Assessment Centre*, was procured through a competitive tendering exercise.

Lewisham Borough Council had an established commissioning framework panel, comprising 15 providers. When procuring the *Young People's Assessment Centre* service, it invited the panel to several, bespoke briefing sessions about tendering for this work under Payment by Results terms.

The commissioner gave an overview of Payment by Results, explained why it was interested in piloting this model, the types of issues providers should consider when submitting their tenders, and the criteria used for scoring them. Providers were able to put forward any questions or queries they had about Payment by Results on the day and following the briefing sessions, a tender pack was issued and five providers submitted a proposal to deliver the service.

3.5 The need for ongoing communication to ensure the successful delivery of Payment by Results contracts once live has also been highlighted through final evaluation consultations. The pilots have been a learning process and it has been important for commissioners and providers to share their experiences and develop solutions together, where appropriate.

*“Even when providers in the Payment by Results pilot have problem, they are looking for a solution, whereas those outside come with a complaint.” – Commissioner*

*“You have got to be flexible and work on the relationship with the provider... to have willingness and flexibility on both sides.” – Commissioner*

## Offering mobilisation periods

3.6 A contract mobilisation period, which offers a transition period to allow providers to start reporting against agreed Payment by Results outcome indicators without financial adjustments being made to reflect performance during the early stages of contracts, has been widely welcomed by providers. They have given an opportunity for both providers and commissioners to test proposed outcome measures and reporting systems to allow any initial challenges to be identified and overcome ahead of payments being linked. This has given greater confidence to both providers and commissioners that proposed indicators and reporting mechanisms are appropriate, and has been widely recommended to form part of future Payment by Results contracts.

### Example: Use of a contract mobilisation period/virtual Payment by Results

A six month mobilisation period was introduced for two Payment by Results contracts in Torbay. Both contracts were extensions to contracts already held by the provider. The period allowed new data collection requirements to be tested before there were any financial implications for the provider. The arrangement was welcomed by both the commissioner and the provider as

an opportunity to test if outcomes were clearly defined and evidence requirements understood as well as to test whether target levels appeared appropriate. The commissioner recommends a six month mobilisation period to others planning Payment by Results contracts.

3.7 There have been instances of outcome indicators being re-defined or further guidance of measurement and evidence requirements being offered at the end of the mobilisation period. They have not typically resulted in the revision of targets or payment terms, ensuring that a risk element remains and that commissioners retain control of key performance measures.

## Accommodating Payment by Results in contracting and monitoring requirements

3.8 The process of contracting Payment by Results terms has followed the same process as other non-Payment by Results contracts. Overall timescales and process are consistent although there is a need to provide clarity around targets, how performance will be measured and the consequent impacts on income, thereby often requiring more detailed guidance to be provided at tender stage. Commissioners and providers also note that it is important to set out monitoring requirements at this stage so that all parties fully understand expectations.

3.9 The need to link payments to reported performance means that monitoring requirements under Payment by Results have been more intensive than under non-Payment by Results contracts. Also, as payment is linked to the monitoring information, this increases the quality and volume of information that providers collect and the verification and audit resource commissioners require, as in the case of underperformance there is a chance of appeal (although wherever possible targets, financial implications and monitoring requirements should be such that there is transparency in the assessment process, limiting the potential for appeals). It can also, however, be used to highlight where staff are performing well and as a tool to boost morale.

3.10 On occasions, monitoring requirements have meant that there is reliance on information from other agencies, which has often proven challenging. In Sheffield, a support housing project for ex-offenders relied on information from the probation service and police for performance measures<sup>14</sup>. This led to time and resource implications for these agencies, data sharing issues and often information was not provided when required which caused delays. Clear protocols need to be agreed at an early stage to ensure such requirements can be satisfied.

*“It was difficult to obtain the data for the reoffending measure and there was no variation to account for major or minor offenses or reduction in prolific offending – we won’t use offending as a measure again.” - Commissioner.*

3.11 Although the level of monitoring associated with Payment by Results contracts is considered burdensome by many, there have been unintended benefits as a result. In one area, both commissioner and provider reported a better working relationship due to the need for regular communication and the commissioner felt they now have a better understanding of the provider’s work – *“we have a clear understanding of what we’re buying, they are clearly doing good work with very complex people”*. In another area, the commissioner stated that auditing the case files had *“opened our eyes to our customers’ problems”* and helped understand housing issues and demand in the local area. These benefits have arisen from the close working required to monitor a Payment by Results contract rather than the contract terms themselves.

3.12 Further investment in online monitoring tools (for example, as being progressed in Stockport and Derbyshire) is expected to reduce the administrative burden but requires a significant upfront investment. A real time system that allows information to be inputted directly, will enable entries to be made more quickly, offers greater clarity of performance against targets and makes it easier to monitor re-presentations of people across services.

## Changes to delivery approaches

3.13 The extent to which providers have embraced Payment by Results is variable. While some providers have taken the introduction of Payment by Results terms as an opportunity to adjust their service offer, others have adopted a business as usual approach to delivery and had adapted only their monitoring processes to meet the contract reporting requirements. There were mixed views on Payment by Results as a means of fostering innovation and changes to working practices across the pilot areas. For example, in some areas, commissioners and providers felt that the pre-Payment by

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<sup>14</sup> This issue has recently been addressed at a national level with offender projects given much enhanced access to re-offending data from April 2014.

Results delivery model was sound and offered a good service so there was no need to introduce new approaches.

3.14 For instance, in one case, the provider stated that they bid for the contract primarily as an opportunity to deliver services in the area, as this was the only opportunity available to them, rather than engaging in Payment by Results terms to affect changes in delivery approach. In others, where change had occurred, it was more a change in thinking and support planning than in delivery practices per se, with one provider commenting “*we have definitely achieved innovation, it’s a whole new way of working and thinking about commissioning*” and another stating that it had opened up the local market to Payment by Results approaches by making them think about how resources can be used more effectively and efficiently to deliver services rather than delivering to a specification set by the commissioner.

3.15 Some providers concurred that there had been a change in approach that was directly prompted by Payment by Results . Common messages identified through provider consultations are that a Payment by Results approach led to:

- Greater flexibility in approach: Previous contracts had specified delivery in detail, including number of hours of support provided, while Payment by Results afforded greater flexibility to increase or decrease the level of support as required and to work in different ways.

*“We can offer additional support if the client is on the brink of moving on but needs a higher level of support at that particular point to make the move.” – provider*

*“ [Payment by Results ] has complemented the way we have been working... and in lots of ways has provided a clearer framework.” – provider*

- Shorter support periods and more targeted support: Staff have focused on communicating the support offer and their aim(s) to clients, colleagues and other partners. The approach has benefitted clients, by ensuring they receive targeted support and in some instances (e.g. in Stockport) review meetings have been conducted within services involving the provider, commissioner and clients to ensure the offer continues to evolve and learn from early lessons. For staff, this approach illustrates a direct correlation between delivery and payment, which is a new approach.

*“When aims are too broad, often they are not achieved and they leave clients feeling dissatisfied” – provider*

*“Payment by Results makes you more on the ball to support clients and to meet client goals.” – provider*

- Reduced duplication of services: Linked to the point above, a more targeted approach reduces the extent to which several providers are providing a generalised support offer, allowing all providers to achieve greater focus on the priorities for their service.

3.16 In a number of provider organisations there has been a requirement to change staff behaviours to achieve the points above. In many of these instances, there have been tensions as staff have been required to change ways of working that have often been standard practice for a number of years in order to deliver to Payment by Results objectives and increase the chance of full payments being received. These tensions have primarily focused on an increased focus on supporting clients to progress through services (including through referrals on to other service providers that can provide the next step in support needs) rather than receiving an extended period of support. The need to maintain full monitoring records for outcomes achieved (including supporting evidence) has also been a new requirement for many staff members. As considered in Section 6, the overall benefits for clients do however appear to have been positive.

3.17 For one provider, new delivery approaches prompted by Payment by Results has reduced the extent to which internal departments work in silos. For example, previously the finance department would issue a letter when clients went into arrears without notifying the support team, when a formal letter can cause distress for more vulnerable clients. Such issues have now been resolved through greater cross-departmental working.

## Protecting against unintended consequences

3.18 Commissioners have been conscious that a move to Payment by Results terms could incentivise providers to prioritise clients who show the greatest potential for progression rather than those in greatest need of support. A series of mechanisms have been introduced to reduce this risk, including referral hubs that consider all applicants for Supporting People services and place them with the service that most appropriately addresses their need.

3.19 As outlined in Section 6, the inclusion of progression steps in two pilot areas to ensure providers receive payments for supporting clients to progress rather than purely achieve an end result has been a further approach, along with awarding payments based on average achievements rather than on a case by case basis. In two pilot areas (Southend-on-Sea and Cheshire West and Chester) targets have also been established to encourage providers to support the most in need. On the whole, unintended consequences of Payment by Results appear to be minimal, and the steps outlined here have helped minimise the potential financial disincentives for providers to work with more challenging clients.

### Example: Protecting against unintended consequences

In Southend-on-Sea, the Payment by Results contract includes a reduction of rent arrears target. This target has varied from the first and second year of the contract to encourage support for those with the highest level of arrears:

- Year 1 target: Arrears per head of closed cases is lower than the average across the stock.
- Year 2 target: Proportionate change in arrears per head between entering and leaving the service is better than the change across the stock.

By working with clients with a high level of arrears, the provider can achieve larger arrears reductions and make more substantial gains towards the target.

## Managing financial risk

3.20 The financial risk associated with Payment by Results has presented new challenges to provider organisations. All those consulted as part of the final evaluation have been able to manage their cashflow during the pilot period but this has not always been easy, particularly for small providers, and in organisations of all sizes there has been a need to provide reassurances to management teams that targets can be achieved. Providers have differing experiences of the scale of the risk with some saying that they are able to deliver a basic service for a 80% base payment but the additional funds allow them to invest in more flexible ways of working while others are entirely dependent on their performance payment to cover costs.

3.21 In a number of cases, providers say that the uncertainty of resource has presented challenges to justifying staffing requirements within their organisation. In other instances, failure to meet performance targets has more serious implications, particularly for small providers, with one stating that being in receipt of £20,000 less per year than pre-Payment by Results has implications for service sustainability and they did not think they would volunteer for another Payment by Results contract due to the financial risk along with additional monitoring requirements to secure relatively low levels of reward. Others consulted during previous evaluation phases also highlighted concerns about the financial sustainability of services in the event targets are not satisfied.

3.22 In a limited number of cases, particularly where performance payments are linked to progression steps, providers have found it difficult to forecast their income. This is pronounced in cases where performance payments are made annually, as providers feel it has limited their ability to gauge potential financial pressures and take steps to correct them where possible.

3.23 There have been instances of commissioners offering some flexibility in awarding performance payments where challenges are considered to have been outside providers' control. For example, lower than expected numbers of referrals due to the time needed for new processes to embed and unforeseen delays in changing delivery models (for example in Cheshire West and Chester, there have been delays in introducing the planned accommodation offer).

3.24 Many commissioners appear to be very aware of the potential financial pressures created by Payment by Results for their providers. Instances of flexibility in the release or clawback of payments are however limited and appear to have reduced over time. Consultations suggest that the level of withheld payments remains limited although if financial pressures became significant, one commissioner commented that they would review the terms.

*"We may remove disincentives if they penalise the provider to a point where they can't operate."* – Commissioner

3.25 Payment by Results has also presented internal financial management challenges for commissioners. The need to ringfence funds potentially required for future performance payments has presented a new challenge for Supporting People teams as it is not a standard arrangement for local authority treasury departments. One commissioner expressed concern that the arrangement made them particularly vulnerable to clawback of funds where allowances need to be carried across financial years.

## In summary

3.26 Payment by Results has impacted on implementation approaches with important lessons identified for future delivery. Key considerations for both commissioners and providers include:

- The additional monitoring requirements associated with Payment by Results contracts; and
- The need to understand and assess financial risk.

3.27 This has caused commissioners to be alert to limiting the potential for selective client engagement by putting mechanisms in place to reduce the potential for cherry picking and using mobilisation periods to identify potential challenges at an early stage.

# 4 Progress towards aims and objectives

## Objectives for participation

4.1 Early in the evaluation period, the development of Payment by Results as a model for public services was recognised in all 10 pilot areas, with a common desire to trial Payment by Results in order to determine whether it was a model which could be replicated across Supporting People and potentially other services. The most common objectives identified for participating in the trials were:

- To improve the service offer to clients and improve the focus on addressing their needs and therefore outcomes achieved;
- To achieve efficiency savings and improved value for money where possible;
- To raise the profile of Supporting People services within the local authority, particularly during times of restructure; and
- An opportunity to respond to points raised through strategic service reviews.

4.2 These topics have a strong fit with the nationally identified objectives to enhance innovation, improve client-led outcomes and achieve better value for money. Pilot areas identifying each of the objectives are summarised below. This highlights that local authorities had multiple reasons for participating in the pilots and anticipated that the benefits could potentially be widespread.

Payment by Results pilot aims				
	Improved service offer	Efficiency savings & Value for Money	Higher profile Supporting People services	Responding to SSR Recs.
Cheshire West and Chester	✓	✓	✓	✓
Derbyshire	✓	✓		✓
Lewisham	✓	✓	✓	
Sheffield		✓	✓	
Southend-on-Sea			✓	
Stockport	✓		✓	

4.3 Consultations through the evaluation period found that commissioners believed these objectives remained valid. It should however be noted that providers were not always aware of the objectives underpinning the decision to introduce Payment by Results terms. The remainder of this section considers the progress made towards objectives, with further details provided in other sections of this report.

## An improved service offer

4.4 As covered elsewhere in this report, Payment by Results contracts have involved a number of changes to delivery approaches, including the assessment and response to client needs. Commissioners are satisfied with the service offer under Payment by Results, in some areas recognising that there has been limited change while in others there has been substantial change and improvement. Payment by Results has in the majority of cases required commissioners to loosen the reins on providers to allow them to deliver services in a way the best meets service requirements and for providers to be more flexible in their approaches. In a number of instances it has taken time for providers to adjust, particularly if Payment by Results has been introduced to existing contracts, but where Payment by Results has formed a central element of commissioning proposals it has usually prompted providers to re-examine the way that they deliver services.

*“It [Payment by Results] did deliver and it worked. It focuses their [provider] attention” – Commissioner*

*“There is no question that how the service operates and the client focus is far, far better than it was” – Commissioner*

4.5 Examples of true innovation do however remain limited. Whilst a number of providers have flexed their approaches (for example to allow a range of client needs to be considered in tandem rather than one by one (due to a focus on varied target outcomes) or to focus on a core service offer and identify referral routes for clients to other services where necessary to fulfil wider needs), fundamental changes to the service offer have not materialised. Section 6 of this report provides further assessment of how effectively client needs have been addressed through Payment by Results contracts.

## Efficiency savings and Value for Money

4.6 Even during the early stages of the pilot, local authorities were aware of the increasing pressures being placed on their budgets and the need for all newly commissioned activities to demonstrate value for money and where possible drive efficiencies. For many commissioners, the introduction of Payment by Results terms, alongside wider factors considered in Section 5, were believed to provide an opportunity to achieve improvements.

4.7 Overall, the value of contracts has reduced and high levels of outcome achievement are being reported. In some areas, it remains too early to assess the benefits (for example in Cheshire West and Chester where Payment by Results terms remain to be implemented) but it is hoped that results will become evident over time.

4.8 Further details of achievements in this area are set out in Section 5.

## Higher profile Supporting People services

4.9 Where this was an aim for the pilots, commissioners felt this had been achieved. In one area, participation in the pilot and reporting to the local authority core strategy group had raised the profile of Supporting People across the council. Moving forwards from the pilot, it is intended that valuable learning from the pilot can inform strategic approaches to Payment by Results across wider commissioning and delivery. In another area, participation in the Payment by Results pilot is believed to have raised the team's profile and helped to protect them from a higher level of budget reductions to allow the approach to be appropriately tested. Overall, commissioners believe that Payment by Results has been a positive learning experience for their team and, where wider links have been established, their authorities as a whole.

## Responding to Strategic Service Review recommendations

4.10 Derbyshire and Cheshire West and Chester both introduced Payment by Results contracts in part to respond to recommendations arising from strategic service reviews. At the core of the requirement was a desire to secure more streamlined and client focused services. Derbyshire believe that Payment by Results has allowed them to make progress in this area while the impact of Payment by Results terms remain to be realised in Cheshire West and Chester, although the commissioner is confident that the new service offer is an improvement on previous approaches. Further details are provided in Section 6.

#### Example: Responding to Strategic Service Review recommendations

In Cheshire West and Chester, the objectives for introducing Payment by Results terms were determined through the Strategic Review process. The primary objective was to improve the service offer to clients and the outcomes they could achieve as a result. A planning for real exercise was undertaken with service users to allow them to shape the service specification, responding to the objective to make services more client focused.

The outcomes for the Payment by Results contract were then identified to reflect the needs of clients and the overall objective to improve outcomes. A progression tracker has been built into the contract to allow client's progress to be rewarded as well as the achievement of headline outcomes.

Monitoring systems allow outcomes data to be collected consistently over time and will enable the commissioner to reflect back on achievement of the pilot's overarching objective.

## In Summary

### 4.11 Key findings include:

- Both commissioners and providers believe that important progress has been made towards locally established objectives and, given commonalities, national objectives.
- It has taken time for some benefits to be realised and in some instances true impacts will not be seen until a longer time period has passed (assuming that Payment by Results terms continue).
- Evaluation findings suggest that the greatest progress has been made towards the objective of improving the service offer.
- In contrast, more limited, evidenced progress is believed to have been made in achieving value for money and efficiency savings, although commissioners are confident that improvements are being made (this is discussed further in the next chapter).
- True examples of innovation in service delivery have not materialised as a direct consequence of Payment by Results.

# 5 Value for Money

## Introduction

5.1 Improving value for money (and/or achieving efficiency savings) was identified by five out of the ten pilot area commissioners during early stages of the evaluation as well as being a nationally defined objective for the pilots. This was viewed to be a priority due to wider pressures being placed on public finances and therefore a need to demonstrate that value was being secured when funds were invested. This section considers the steps taken to achieve value for money and how effective they have been.

## The cost of Payment by Results contracts

5.2 Although commissioners and providers are unable to quantify the cost of establishing and running Payment by Results services<sup>15</sup>, all agree that the costs are higher than for non-Payment by Results contracts. This reflects the more intense monitoring requirements under Payment by Results contracts. As an example, one provider estimated that monitoring the contract took an additional two days per quarter compared to similar non-Payment by Results services. Providers also noted that more senior manager and director time was spent on the contracts due to the financial risk and the need for closer monitoring of performance to inform financial forecasting.

5.3 The time needed to effectively monitor performance has been regularly highlighted through the evaluation by both providers and commissioners. Two commissioners commented that the time required to monitor Payment by Results contracts was a factor in their decision not to continue with Payment by Results terms or to simplify future performance measures. This position was exacerbated by budget and staffing pressures within their organisations, meaning that current levels of contract monitoring are not sustainable.

*“When there are cutbacks do we want difficult contracts to manage?... Do you want the focus on frontline services or back office administration?” – Commissioner*

*“We are likely to need a new approach. We need to focus on service delivery [rather than monitoring].” – Commissioner*

5.4 Aside from the set up and monitoring resource requirements, very few providers reported any noticeable increase in delivery costs as a result of Payment by Results. Where this had occurred, the increased cost was due to a high number of high support need clients entering the service. In this instance, the provider was contracted

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<sup>15</sup> This is due to staff members not logging time specifically against Payment by Results activity or other costs being captured in this way.

(with Payment by Results terms) to support a cohort of clients with a high level of multiple support needs. The high number of these clients who were supported meant that resource was diverted from the clients with lower support needs who were not included in the Payment by Results contract.

## Steps to achieving Value for Money

5.5 Both commissioners and providers felt that Payment by Results contract terms had potential to offer value for money. The ways in which this can be achieved included:

- Providing a strong focus on outcomes to be achieved as a result of investment;
- Withholding funds until providers satisfy agreed targets;
- Early flagging of poor performance providing opportunity to address this; and
- Cost savings from reductions in rent arrears and eviction costs (see later example).

5.6 However in terms of service delivery, most providers said they had not taken any particular steps to achieve value for money, citing that they already offered a good service – *“we already have very good success rate”* and *“we have a good service offer and we know it works”*. Where steps had been taken by providers these include:

- Offering focused support packages that assist people to progress and gain independence (as considered in Section 6); and
- Improving relationships with other agencies to assist onward referrals and client access to a wider support package (e.g. through local authorities and probation services) and removing duplication of support by providing more focused services across providers in a local authority.

5.7 Achieving value for money is dependent on a sound baseline to ensure a joint understanding across providers and commissioners of the types and scale of added value, cost savings and efficiencies that could be achieved as well as change in costs. This has not been available as part of the Payment by Results evaluation as the pilot areas had not undertaken this preparatory work prior to the pilot.

## Reported Value for Money improvements

5.8 Across the pilot areas, commissioners report that they are typically securing more for their money than pre- Payment by Results. Through discussion, it is apparent that a series of factors have contributed to this position rather than it resulting purely from the introduction of Payment by Results terms.

5.9 When re-contracting services, commissioners have often taken the opportunity to review service provision and consider how it can be more effectively packaged. For example, the Payment by Results contract in Cheshire West and Chester brings together all homelessness services into a single contract and Derbyshire reduced

the number of short term Supporting People service contracts from 53 to 23 during the pilot period to improve efficiencies. Derbyshire also believes that by packaging services together they are achieving greater value by encouraging providers to work together in consortia. Local authorities have also been under increasing financial pressures with funding reductions impacting on the budgets available to fund services which in many instances have resulted in a requirement to deliver more for less.

**Example: Achieving Value for Money through cost savings**

In Southend-on-Sea, an eviction is estimated to cost the local authority £3,000 in legal costs, void loss and officer time.

It is difficult to assess any reduction in evictions due to changes to the service delivery and welfare reform which has increased the level of evictions across the stock. However the contract met the target for tenancy sustainment (95%) and it is estimated that there have been six fewer evictions as a result of the support, saving approximately £18,000.

The support may also have prevented an even further rise in evictions, although this can not be quantified.

It was noted that by understanding the reduction in evictions that could be achieved, the contract could offer value for money even if a bonus payment were made.

5.10 Consultations suggested that the number of outcomes being achieved through Payment by Results (both per client and across services) is typically higher than commissioners reported previously. Although it is recognised that wider factors (as considered above) are also influencing this position, a greater focus on outcomes amongst providers will have contributed to this change. Sample performance data is presented in Annex 2 to provide an indication of the nature and scale of outcomes being achieved by services and key messages are outlined in Section 6.

5.11 In the longer term, value for money will be evident through the sustainability of outcomes and linked to this client re-presentation rates. At present, it either remains too early to assess the sustainability of outcomes across a number of contracts and where sufficient time has elapsed, monitoring systems are not yet sophisticated enough to capture repeat presentations. This position will improve as some areas introduce fully integrated, online client management systems.

## In summary

5.12 In summary:

- Value for money has not been considered in detail by the pilot areas.

- Whilst there is anecdotal evidence of some improvement in the value for money secured through investment, this is rarely (if ever) due purely to Payment by Results terms being introduced and instead reflects a wider range of circumstances.
- Commissioners and providers are broadly positive about increased levels of outcomes prompted by Payment by Results.

# 6 Achievement of client needs

## Introduction

6.1 For any service, ensuring that client needs are satisfied should be the main priority and this is particularly important in the context of Supporting People services. If inappropriate targets are set, there is potential for Payment by Results terms to reduce client focus, instead encouraging providers to deliver services that address their commercial needs (where applicable), i.e. a desire to maximise payments. This section considers the approaches taken to involve clients in the development of Payment by Results terms and how their needs have been considered throughout the pilot areas' activities.

## Selection of outcomes and alignment with client needs

6.2 In each of the pilot areas, the Payment by Results model sets out a series of performance measures against which clients' progress and achievements have been assessed. Outcome measures were selected at a local level and have varied across the pilot areas with some choosing to select common indicators to cover all Supporting People services and others selecting service specific indicators. The following themes are evident in the selected outcomes:

- Progress in education and/or employment;
- Securing sustained housing; and
- Improved health and well-being.

6.3 Across the pilot, the number of outcomes per Supporting People service has varied, with some providers focusing on tenancy sustainment and planned move on and others on a broader range of outcomes. Where the service has worked towards only housing outcomes, these have been viewed favourably by providers, as the outcomes are central to the services' offer, clear and easy to measure and aligned with clients' needs and preferences, albeit not necessarily within the direct control of providers.

6.4 Where clients have been required to work towards a broader range of pre-defined outcomes (including selection of fixed outcomes for all clients and a mix of core and optional outcomes to suit client needs) it has been met with mixed views by providers. Some believe that Payment by Results outcomes have been sufficiently flexible to accommodate client needs while others believe that it restricts the ability to tailor services. It is not always possible to select outcomes that directly correlate with client needs – at times one provider suggested it is like *“trying to fit a square peg in a round hole”* – but some degree of alignment is usually possible. Commissioners have also remained alert to this challenge. For example Stockport has continued to add to its list of outcome indicators to reflect the needs of different service types and client groups and Derbyshire had plans to introduce service specific indicators, prior to the current service restructuring.

6.5 The timescales for the achievement of outcomes for people who are in crisis or have a chaotic lifestyle (e.g. victims of domestic abuse and people recovering from alcohol or drug addictions) were felt to be optimistic by many providers, recognising the need to stabilise and settle people and focus on priorities such as taking legal action and continued abstinence before moving on to wider objectives. A provider delivering an abstinence support service commented, “[Payment by Results is] *great for collecting data but not the people we work with*” while a provider delivering a mental health residential support service noted that the circumstances of individuals differ greatly. In the recent economic climate, outcomes associated with finding employment have presented a further challenge for providers, even when clients have been committed to working towards the goal.

## Client involvement in service planning

6.6 As well as involving providers in the design of contracts (as considered in Section 2), there are examples of clients playing an active role in contract design. These examples are however by exception and more often clients were not involved in this part of the pilot, with one provider commenting that often clients’ lives were too chaotic to allow them to contribute to any such exercise. A stronger alignment to needs would be expected in cases where they have shaped service delivery and performance measures.

### Example: Service user involvement in Payment by Results contract design

Alongside *Planning for Real* exercises for providers, Stockport set up three interactive sessions with service users about Payment by Results proposals and what it would mean for them. During the discussion, service users indicated that they wanted a greater focus on outcomes and recognition of progress towards them. They also helped define the outcomes for monitoring and steps to achieve them. Some concerns were raised by service users about how they would be required to evidence progress, for example progression towards work. In order to address this, guidance notes have been issued to help providers to ensure that the appropriate evidence is secured.

Service users have continued to shape Payment by Results terms since contracts have been live. For example, in instances where providers felt additional outcome indicators were required to address service user needs, sessions have been held to confirm new requirements and how they will reflect service user priorities. Regular forum meetings also continue to be held with Payment by Results a regular agenda item to prompt discussion.

6.7 Many providers have updated their support planning process as a consequence of Payment by Results to engage clients more fully in the process and to clearly focus on desired outcomes from the outset. Clients are typically invited to identify

their preferred outcomes which staff then align to outcome indicators as best they can and actions are agreed to progress towards them. This more structured approach provides a clearer focus to the support that follows and ensures that it can be tailored to individual needs.

*“We re-designed our support plans to be very targeted. Outcome stars and steps are tailored to individuals whereas before they were more generic... We review against the support plan throughout and show progress so there is a clear focus.”*

*“Support planning is more focused on needs and solutions.” – Commissioner*

*“Clients drive their own support needs... It has required some clients to look at wider objectives.”*

*“It gives more structure for young people. They pick from indicators to reflect their needs and interests.”*

## Developing new ways of working

6.8 As outlined in Section 3, some providers have altered their delivery offer as a result of the Payment by Results pilots. Where this is the case, providers believe that although clients may not always have wanted to focus on outcomes and progression to begin with (and there have also been instances of staff resistance) the approaches adopted have allowed services to be more focused on addressing client needs. As the pilots have focused on short term Supporting People services, there are limited instances where clients have been alert to before and after approaches.

6.9 Many providers have adapted their ways of working to ensure client needs continue to be addressed. A reduction in the period of support for one floating support service working with women and children suffering domestic abuse highlighted the need to consider new ways of working to satisfy client needs. While the core service offers one to one support, the shorter support period now offered through Payment by Results to ensure throughput and the impact this has on the level of emotional support that can be provided, prompted the provider to introduce a peer support group that people can attend for three months to support them to move on.

6.10 In other cases, although not linked to specific ways of working, Payment by Results terms have led to a focused service which is more attuned to client need. One commissioner commented that the approach has focused the service on their priorities and those of clients. Across the provider, the departments no longer work in silos, for example incidences of rent arrears are flagged up much sooner to the support team, helping clients to access a coordinated support offer where required.

*“We try to be very clear from the beginning that we offer x sessions and explain the limit.” – provider*

*“Staff are more focused, with a clearer plan for every individual but there was lots of staff anxiety to start.” - provider*

*“We continue to do things better. We learn where things have not gone well and find creative ways to overcome challenges.” – provider*

*‘They now focus on much more meaningful intervention and react to local need.’ – Commissioner.*

## Recognising progress

6.11 In two pilot areas (Stockport and Cheshire West and Chester), progression steps have been built into outcome indicators. These allow clients’ progress to be monitored over time and recognise that in some cases, clients may require an extended period of support to achieve an ultimate outcome (e.g. securing sustained employment) but that important steps can be taken in to the meantime (e.g. to begin to explore employment opportunities and prepare for interviews). By building steps in, clients are able to see their progress and gain a sense of achievement (as well as allowing providers to receive staged payments). There can however be challenges to evidencing and auditing such achievements.

*“It has been really good that people can see where they are going... clients are progressing and seeing the concrete evidence and results...when evidencing outcomes is so important, this approach is helpful.” – provider*

6.12 In Sheffield, the need for outcome targets that recognised progression was also cited. Under one service contract, the target was missed for any client if they committed an offence, which did not recognise any reduction in the seriousness of the crime committed or prolific offending. Given that the majority of re-offences were for being drunk and disorderly, the data did not reflect the less serious nature of the re-offending or the distance travelled by clients who all have high levels of multiple support needs.

## Supporting independence

6.13 In some services, the move to Payment by Results contract terms has required providers to be more focused in their service offer to support clients to progress through the system and allow a payment to be realised. Whilst some providers have found this challenging, deviating from their non-Payment by Results approaches, others believe it has been liberating for clients.

6.14 For example, a floating support service provider working with women and children suffering domestic abuse estimates that its average support period with a service user pre-Payment by Results was up to 18 months whereas it now averages 6-12 months. This has been achieved by explaining to staff that a culture change is required to focus on the service that they are commissioned to provide and building stronger relationships with partner organisations to support progression. Overall this provider (and others that have taken a similar approach) believe it has generated benefits for their clients, allowing them to be more independent at an earlier stage, reducing their wider needs and ensuring they know where to go for support if they need it in future.

*“If they [clients] won’t progress through steps we need to sign them off. We can no longer give a gold service... we can’t keep clients on the books.” – provider*

*“We now equip them with the skills and knowledge they need [to be more independent].” – provider*

*“Payment by Results is making them [clients] more a part of it – they decide what is best to help them.” – provider*

*“Payment by Results is good and needed to focus providers on what they should be providing and [make sure that] users are not going through the system again and again.” – commissioner*

6.15 A reduced support period is not however considered appropriate by all providers and for all client groups, particularly those that enter a service in crisis. In these circumstances, there are providers who argue that progressing clients through the system quickly is not in their best interests and there is a need to focus on a single stabilising factor before considering a wider range of potential outcomes. In a previous evaluation stage, it was reported that some clients had left services because they did not feel able to commit to working towards pre-defined outcome categories at that point. There are

instances where providers continue to work with clients for a longer period, causing them to risk incurring financial penalties.

6.16 Supporting independence within a Payment by Results service is also at times only effective if other support services are in place to assist progression. For example, in Stockport, providers emphasised the importance of the Stockport Local Assistance Scheme offered by the local authority to support clients as they leave Supporting People services. Other areas reported dependencies on wider provision to allow clients to leave their service, including, for example, challenges in securing follow on accommodation which causes clients to be unable to move on from Payment by Results services. There are examples of providers being penalised in these cases with one reporting losses of up to £150,000.

## Assessment of outcome achievements

6.17 Both commissioners and providers say that levels of outcome achievement have increased under Payment by Results contracts. This reflects a number of factors including:

- An increased focus on progressing clients through services;
- Clients working towards a larger number of outcomes than previously;
- Support being more tailored to help clients achieve outcomes; and
- Clients being able to select (to varying degrees) outcomes that respond to their personal needs.

6.18 As examples, in a single quarter, 56 clients in Stockport achieved their desired outcome to manage debt and 26 their target to secure full time paid work. This same pilot area reports that client numbers accommodated in 12 out of 14 services have met, exceeded or are within a few percentage points of their targets suggesting that levels of throughput have increased under Payment by Results .

6.19 Service specific achievements are also evident. For example, in Southend-on-Sea a Payment by Results out-reach service has reported reductions in arrears per head cases at a level significantly higher than across all stock. Similarly, in Sheffield, the re-offending rate reported under a supported housing for ex-offenders service was lower than the average Offender Group Reconviction Scale expected for the cohort. Although it is not possible to compare performance against pre-Payment by Results outcomes<sup>16</sup>, figures and consultations suggest that contracts are benefitting a large number of clients in a variety of ways.

## In summary

6.20 Key findings include:

- Whilst the achievement of outcomes and their relationship to payment triggers is clearly in providers' minds, it does not appear to have detracted from a focus on providing appropriate support to clients under Payment by Results contracts.
- In some instances, it appears that providers are forfeiting payments to ensure they can offer clients the support they need (e.g. through longer than average support periods).
- A more tailored support planning process and the ability of clients to select their own outcome targets in some pilot areas helps them to take greater ownership of their goals.
- Payment by Results has often resulted in a reduced support period which raises concerns for some providers whilst others believe it has been an important step to independence.
- Both commissioners and providers report that outcome achievements have increased under Payment by Results although at times there are challenges to aligning indicators to exact client needs.

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<sup>16</sup> A comparator assessment was originally proposed to form part of the evaluation and was scoped with pilot areas at an early stage. Due to statistical unreliability this analysis does not form part of the evaluation report. Challenges included new indicators being used by the pilot areas, changes in wider conditions impacting on comparison to earlier trends and significant changes in delivery models that are not specific to Payment by Results.

# 7 Lessons learnt

## Introduction

7.1 In March 2013, a lessons learnt guide was prepared as part of the evaluation commission. This document (available through the Sitra website<sup>17</sup>) set out lessons to date from both a commissioner and provider experience to support others to learn from experience gained through the pilot when planning and delivering Payment by Results contracts.

7.2 The final evaluation phase has found that the primary lessons identified in this guide remain consistent. This section therefore highlights the key points from both a commissioner and provider perspective that should help to support the successful roll out of Payment by Results contracts in Supporting People services.

## Commissioner perspective

7.3 The evaluation has identified eight key lessons learnt by commissioners when considering whether and how to introduce Payment by Results contracts:

- Identify a clear rationale for Payment by Results contracts and share it with providers.
- Consider time, roles and responsibilities required to develop and oversee Payment by Results contracts.
- Plan the detail of how Payment by Results terms will be applied, including the proportion of contract value to be linked to performance, whether any performance uplift payments will be available and the frequency of payments.
- Offer a virtual period to allow indicators and targets to be tested ahead of financial penalties being imposed then make changes where necessary to ensure Payment by Results terms can be robustly applied.
- Involve providers (and potentially service users) in the development process where possible to allow them to shape outcome indicators and ensure they understand how Payment by Results terms will be applied.
- Be clear about how performance will be measured, including definitions of performance indicators, evidence requirements and whether progression steps will be monitored.
- Develop a performance management framework and associated guidance for providers to ensure there is a common understanding of information requirements. Also consider how monitoring returns will be verified.
- Put in place arrangements to minimise the potential for 'gaming' under Payment by Results contracts.

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<sup>17</sup> <http://www.sitra.org/documents/from-thinking-to-doing-early-lessons-from-the-supporting-people/>

## Provider perspective

7.4 The top eight lessons learnt by providers, as identified through the evaluation, are:

- Think through both the opportunities (e.g. the ability to evidence the impact of your service) and risks (e.g. financial implications) of bidding for and delivering Payment by Results contracts at an early stage.
- After assessing risks, be honest with the commissioner to see if there is room for flexibility in areas that cause concern.
- Ask about the commissioner's rationale for introducing Payment by Results terms, if this is not clear.
- Ensure you have a clear understanding of the financial implications of delivering a Payment by Results contract, including the proportion of overall value linked to performance, the frequency of payments (both core contract and performance linked) and evidence requirements.
- Understand how targets have been set and how your performance will be monitored against them.
- Request a virtual period at the start of your contract where you can practise satisfying monitoring requirements without financial implications. Also ask about contract review procedures once contracts are live.
- Explore the scope of innovation in your service and consider the need to change your approach to support planning including having a greater focus on client progression.
- Identify someone to have oversight of the Payment by Results contract and ensure that clear roles and responsibilities are set out, including for evidence collection to underpin payments.

7.5 When providers consulted as part of the final evaluation were asked if they would bid to deliver another Payment by Results contract if the opportunity arose, all but one said that they would (subject in some cases to adjustments) suggesting that the overall experience has been positive.

## In summary

7.6 Key lessons are:

- The Payment by Results pilots have provided a learning curve for both commissioners and providers.
- Everyone involved in the pilots has drawn their own lessons which will continue to inform delivery, monitoring and/or contract terms beyond the pilot period.

- Early experiences in the pilot areas have helped to refine local approaches over time, and the lessons above can help to smooth the introduction of Payment by Results terms as part of new contracts going forward.
- The key lessons for commissioners are to clearly set out the rationale for the pilot and the measures that will be used and assess performance.
- The key lessons for providers are to thoroughly assess the risks associated with the contract and consider steps needed to minimise these, including having a thorough understanding of outcome definitions and evidence requirements.

# 8 Conclusions

## Pilot context and scale

8.1 The Payment by Results pilots have provided an important opportunity to test the model in a Supporting People context. Approaches across the pilot areas have typically followed two core models, offering limited opportunity for lessons to be drawn from different models. Activity has occurred on a small scale and in a smaller number of areas than originally anticipated, including due to long lead in periods to activity commencing in some of the pilot areas. Low levels of activity have not however always been a reflection of commissioners' views on Payment by Results, acknowledging that the pilots have coincided with wider changes in the delivery context. On one hand, recognition of local budget pressures has caused providers to be more accepting that change is required within service provision while on the other, budget pressures and the turnover of staff may have restricted opportunities to roll out pilot activities further.

8.2 Those pilots taking an inclusive approach to the development of Payment by Results terms have seen strong support from providers. Although the overall terms are not considered to have transferred considerable levels of risk to providers, it has still been challenging for some providers, particularly small providers, to manage the cashflow implications of Payment by Results terms. In addition, the challenge of protecting budgets within local authorities at a time of considerable pressure on public finances has been more significant than anticipated at the outset.

## Pilot performance and delivery arrangements

8.3 Spend under Payment by Results contracts has often occurred at a lower level than pre-Payment by Results. In a limited number of instances this reflects payments being withheld due to below target performance but more generally it reflects non-Payment by Results specific changes at the point of contracting, for example lower service budgets due to efficiencies made in local authority spending and decisions to bring small services together to offer a larger, more coordinated and efficient service for clients. Where outcomes data has been provided by pilot areas, it suggests that Payment by Results has resulted in significant improvements in outcomes. It has not been possible to compare this to a comparator position, although commissioners and providers are confident that achievement levels have increased under Payment by Results due to the more focused nature of support. The sustainability of outcomes achieved under Payment by Results contracts (e.g. the ability to retain housing or reductions in re-presentations to services) will be an important measure of success although in many cases it remains too early to assess this while in others the mechanisms are not in place to capture the achievements.

8.4 Examples of innovation in service delivery are restricted. Whilst some providers have taken the opportunity to re-design services to reflect an increased focus on outcomes, many have continued their delivery on a business as usual basis or the primary

change has been in initial support planning. Findings suggest that client needs have not been over-shadowed by payment triggers although a move to a greater focus on outcomes has not sat easily with providers working with all client groups, e.g. those in crisis. In these cases, there are examples of providers continuing to offer a longer support period regardless of the potential financial penalty. A more focused support planning approach has been an advantage of Payment by Results delivery.

## Overall experience and lessons

8.5 Where Payment by Results has been embraced by both commissioners and providers it is considered to have been a positive experience, helping services to become more focused and supporting clients to identify goals and become more independent earlier than they would otherwise have done. Where progression steps have been used to assess distance travelled they are considered to have given clients a sense of achievement whilst rewarding providers for their work on a staged basis. A high proportion of both commissioners and providers would engage in Payment by Results contracts again, in some cases subject to lessons from experience to date being built upon, for example to help reduce the monitoring burden.

8.6 There are a number of lessons learnt during the course of the pilots and that both commissioners and providers intend to take forward from their Payment by Results experiences. These should help to ensure that the positives, including more tailored support planning and a focus on achieving outcomes and supporting clients to progress, will remain as a legacy of the pilots. There are signs that experiences will inform future contract performance metrics and monitoring even where Payment by Results terms are not expected to continue to be applied.

## Achievements against objectives

8.7 Taking each of the objectives in turn, the following conclusions are drawn:

Objective	Assessment
Assemble robust evidence on the process issues associated with the implementation of the various Payment by Results models being piloted, for commissioners, providers of services and clients.	The models adopted by the pilots have been more consistent than originally anticipated meaning that a comparison between approaches is not possible. A number of process issues have been drawn out through the evaluation, including the need to guard against unintended consequences and provide clear monitoring requirements.
Measure the potential success of Payment by Results pilots in achieving their own bespoke aims and objectives, in addition	Commissioners are satisfied with the progress made towards local objectives and that they remain valid. Limited action has however been taken by commissioners

to the overarching aims of enhancing innovation, improving client-led outcomes and achieving better value for money.	to assess or evidence progress towards objectives. Progress against two key areas, as considered through this evaluation, is considered below. Examples of innovation are scarce.
Identify value for money of the Payment by Results models piloted including an understanding of any set up costs, and if feasible how this compares to existing and previous Supporting People commissioning models.	Evaluation evidence suggests that costs have reduced under Payment by Results and reported outcomes have increased, suggesting that the approach supports value for money. It is however recognised that a number of wider factors have influenced this position and that the costs of setting up and monitoring Payment by Results contracts can be significantly higher than non-Payment by Results terms, although pilots have not quantified the cost.
Identify whether client needs have been met in terms of outcomes achieved and in particular whether a focus on payment-triggering outcomes has been at the expense of client-led ones.	Payment by Results terms do present a potential tension between focus on client needs and payment triggers. Consultations suggest that more effective support planning and the range of indicators used by half of the remaining pilot areas mean that client needs can be aligned with Payment by Results outcomes and that, although in some instances it has initially been challenging, overall clients are believed to be achieving better outcomes more quickly as a result of Payment by Results .
Identify lessons learnt and emerging practice developed by the pilots, both in terms of commissioning and providing services.	A series of lessons have been identified for both commissioning and delivering Payment by Results contracts that will continue to inform future practice, including recognising the time needed to set a robust monitoring framework and having a clear rationale for Payment by Results . Such principles, as set out in the previous lessons learnt guide, should continue to inform delivery.

8.8 Bringing all of the evidence above together, it is recognised that there is a lack of conclusive evidence to say whether Payment by Results has been successful in a Supporting People context. This reflects, in large part, a wide range of context factors that have impacted on delivery and the absence of hard impact evidence gathered at the level of individual pilot areas.

8.9 There are however promising signs of the sector's ability to embrace new initiatives and apply them to a wide range of client groups and service types. At times there does however appear to have been too much flexibility in how Payment by Results

terms have been applied, for example leniency in the application of targets and offering a growing number of indicators to assess achievements, in response to provider requests.

## Planning for future Payment by Results

8.10 In the current climate, widespread roll out of Payment by Results across Supporting People contracts is not anticipated. There are however a series of lessons that could be applied if Payment by Results commissioning continues. The key points are:

- Both commissioners and providers need to recognise the resource intensive nature of Payment by Results contracts, specifically the monitoring and auditing requirements and the need to establish effective systems to manage this.
- Contract terms need to be transparent and easy to understand to include clarity of outcome measures, the implications of failing to achieve targets and the frequency of payments. All organisations should then carefully consider the cashflow implications and how they can be managed.
- Providers should be encouraged to take Payment by Results terms as an opportunity to innovate in the delivery of services, ensuring that the best approaches are taken to achieve the greater outcomes for clients.
- Outcomes should be applied that recognise client needs while still retaining a focus on overall service objectives.
- The monitoring burden can be reduced, and the transparency of achievements against targets improved, by focusing on a limited number of outcomes that reflect the core aims of the service. A distance travelled model is positive for service users but presents challenges for evidencing and later auditing achievements.
- Measures should be put in place to allow the full impacts of Payment by Results to be assessed, including to measure change in the level and nature of outcomes achieved, value for money secured and, if possible, change in client experience and the sustainability of outcomes.

# Annex 1: Payment by Results in non-pilot areas

## Birmingham City Council

Birmingham undertook an extensive Payment by Results pilot of Payment by Outcomes (PbO) in housing support services between April 2013 – March 2014 involving 20 providers, 21 services and 1,468 service users working across the full range of services for socially excluded, disabled and older people. Providers volunteered for the pilot with Payment by Results payments constituting 10% of contract value.

The Payment by Results metrics used related to outcomes for individual service users. Each service user agreed five outcomes from a basket of individual outcomes and payment was linked to achievement of these outcomes. The outcomes were established as follows:

- There were two overarching outcomes relating to achieving independence (maintaining accommodation or obtaining suitable accommodation) and accessing primary health services. Although these overarching outcomes were mandatory across all client groups the definitions of when and how they were to be achieved varied by service type.
- There was one further mandatory outcome which was specific to each client group (e.g. staying safe in relation to services for women escaping domestic violence).
- Two further client choice outcomes were selected by the client.
- Each client could also choose further outcomes (which didn't necessarily need to be from the basket of outcomes) they wished to achieve known as personal outcomes. These could be unique to the client to reflect their need or aspirations, there was no payment element attached to these outcomes.

For socially excluded services, payment was made on the basis of whether or not an outcome was achieved but for disability and older people services payment could be made on distance travelled measures using a five step approach.

The project is unrelated to earlier plans by local providers to pilot Payment by Results contracts which are referenced elsewhere in this report.

*Reasons for introducing Payment by Results terms:* the terms were introduced in response to the importance of being able to evidence the effectiveness of public funding in achieving positive outcomes for vulnerable people, cost savings and cost avoidance.

*Models adopted:* the model used is based on 10% of the contract value being linked to outcomes (i.e. Core Contract plus Performance Uplift). There was consultation with providers and stakeholders in relation to the outcome metrics to be used and there was a Payment by Results working group which reviewed progress of the pilots and included

provider representation from the three broad client group areas. Service Users were consulted via a reference group (Citizens Panel) and through providers sitting on the working group. The main issues raised by service users were that they were concerned that this pilot could be seen as a means of saving money and the pilot tightened up definitions in response to service user concerns about the subjectivity of some outcome measures. Service users also argued that the percentage of money linked to outcomes should be higher than the 10% adopted.

*Scale of activity:* see above. Originally the pilot was intended to be much more limited in scope. However as there was considerable interest from providers in being part of the pilot the decision was taken to extend its' scope.

*Proposals beyond the pilot period:* Evaluation is being undertaken at present (April 2014) but there was a strong view from those involved that the approach has improved outcomes through focusing the support provided. There has been particularly positive feedback from providers and service users who see Payment by Results as helping to focus activity on what is important. If evaluation confirms this view, it is likely that Birmingham will move to commission all future services on a Payment by Results basis, perhaps on the basis of an 90:10 or 80:20 Supporting People lit of core contract value to performance related payments.

## Salford MBC

Salford used Payment by Results as part of the establishment of their young people's housing support pathway in September 2012. The pathway starts with a commissioned provider, who acts as the head of the pathway, and undertakes needs assessments of young people wanting to access housing and support services. The provider delivers mediation to help young people return to the family home, where safe and appropriate to do so. The provider has a Payment by Results related target of 10% of all young people referred into the pathway, to return home via this mediation service. The provider is paid an additional £2,000 per each month where this target is met (approximately 10% of the contract value).

*Reasons for introducing Payment by Results terms:* The primary driver for Salford was to incentivise better outcomes for the pathway and, in particular, to incentivise homelessness prevention. In the 16 months between September 2012 and December 2013, 76 young people returned home via mediation services with the monthly 10% target exceeded in every month. As a consequence, demand on supported housing services has reduced.

*Models adopted:* The model used is based on 10% of the contract value being linked to outcomes (i.e. Core Contract plus Performance Uplift). The target was agreed with the provider. One potential danger in this model could be that young people are sent home inappropriately in order to allow the target to be achieved. However there is a young person's housing group (a panel made up of all pathway providers, children's services,

housing advice and Supporting People staff) which reviews re-presentations and none of the young people who had returned home have come back to this panel.

*Scale of activity:* one contract as outlined.

*Proposals beyond the pilot period:* The pathway itself is intended as a pilot project and will be reviewed in September 2014. It is possible that the amount of supported housing commissioned in the future will reduce as a result of the success of the pilot. The Council is interested in continuing a Payment by Results approach in relation to prevention and is interested in extending the model to other aspects of young people's support services, e.g. in relation to achieving quality standards or achieving planned move-on (whilst recognising that recent benefit changes and access to housing make the latter more difficult to achieve).

## Trafford MBC

Trafford have used Payment by Results in the recent re-tendering (October 2013) of an accommodation-based housing support service for single homeless men and women. The Payment by Results targets relate specifically to increasing the numbers of people who move on in a planned way and sustain their independence, as measured by whether the service user re-presents to housing advice/homelessness services within 12 months. 55 units are covered by the contract which has a total annual value of £350,000.

*Reasons for introducing Payment by Results terms:* The primary driver for Trafford was to incentivise better outcomes from the service being commissioned, specifically to increase planned move-on and the sustainability of the move on. As the contract has only recently been re-tendered, it is not possible to assess if this has been achieved yet.

*Models adopted:* The model used is based on 10% of the contract value being linked to outcomes (i.e. Core Contract plus Performance Uplift). There was consultation with providers and other stakeholders in relation to the outcome metrics to be used. As access to the service is via a single gateway operated by the Housing Options service there is limited scope for provider cherry-picking.

*Scale of activity:* one contract as outlined.

*Proposals beyond the pilot period:* This is not intended as a pilot project and there are no current plans to commission other housing support services on a Payment by Results basis.

## North Lincolnshire Council

North Lincolnshire have also used Payment by Results in a current (March 2014) re-tender of housing support services. We have reviewed the tender documentation but have not talked directly to the commissioners. The Council are tendering one service which has been formed by the merger of eight services currently provided by four providers covering a range of socially excluded client groups and people with learning disabilities. There is an estimated annual contract value of £2.1 million. The Payment by Results element relates

to the Enhanced Payments Scheme component of the contract. The successful provider will be paid per new service user who moves to, and sustains, a less intensively supported service. Thus there is a clear ambition to incentivise reductions in support over time. There is an annual ceiling of £35,000 and this is intended as a pilot project.

# Annex 2: Contract performance data

Performance data for three of the pilot areas is provided below to provide further detail of Payment by Results contract activity and achievements. Data showing performance against targets is not available for Cheshire West and Chester (where data has not been analysed by the commissioner because payments are yet to be linked to achievements), Derbyshire (where monitoring has been relaxed due to consultation on the future of services) and Stockport (where end of year performance records remained to be compiled at the time of writing).

## Southend-on-Sea

Contract: Floating Support

Individuals supported

Individuals supported			
	Achieved	Target - minimum	Target - stretch
Year 1	122	110	135
Year 2	89	110	135
Total	211	220	270

In Year Two under-performance was due to inappropriate cases being counted (e.g. clients were already receiving support from another source and were therefore ineligible for Supporting People funding) and also one team member was on long-term sick.

Rent arrears

*Year One*

Target: Arrears per head of closed cases are lower than the average across the stock.

- Cases supported- average arrears per head = £114.75
- Average arrears over the whole stock = £277.35

*Year Two*

Target: Proportionate change in arrears per head between entering and leaving the service is better than the change across the stock.

There was a 5% increase in arrears across the stock during 2012/13 whilst those supported by the outreach service saw a decrease in their rent arrears by an average of 41%.

Tenancy sustainment

Tenancy Sustainment			
	Achieved	Target -	Target - stretch

		minimum	
Year 1	99.5%	95%	96.5%
Year 2	96.25%	95%	96.5%

## Sheffield

Contract: Supported Housing for ex-offenders

Value: £139,776 with 95% - 105% value for results

Individuals supported

The service was contracted to provide support to 67 individuals.

Successful planned move on

Successful Planned Move On		
	Achieved	Target
Year 1	68.1%	65%
Year 2	64%	65%

Reduction in reoffending

While the target was not met for reoffending, based on OGRS scores (the proportionate chance an individual has of reoffending) the project has been successful. The average OGRS for the cohort was 68%, therefore a reoffending rate of 68% would have been expected but the actual result was 53.73%.

Contract: Homeless and Resettlement Support

Value: c.£500,000 with 15% of the value Payment by Results

Individuals supported

Individuals supported		
	Achieved	Target
Feb 13 – Jan 14	262	160 households at any one time

Personalisation

Service users will set a 'reasonable and rational' personalised outcome and sign it off to say it has been achieved.

Personalisation		
	Achieved	Target
Feb 13 – Jan 14	82.8%	80%

Resettlement

Service users will have sustained their homes or achieved planned move six months after the end of the support

Resettlement		
	Achieved	Target
Feb 13 – Jan 14	85.96%	80%

Prevention

Removal or reduction of the threat of homelessness.

Resettlement		
	Achieved	Target
Feb 13 – Jan 14	87.2%	80%

## Lewisham

Contract: Young Persons Assessment Service

Total contract value £500,000 pa - variable rate £180,000 pa

The three metrics assessed are:

- Number of young people coming into to service
- Number successfully resettled into similar support
- Numbers supported into lower level (or no) support

Minimum threshold per annum is 50 young people entering service and 35 moving on.

In 2012 – 2013: the target was not reached and the provider received a penalty of £45,000.

May 2013 to mid March 2014: 49 young people entered service and 66 have moved on, which suggests performance will be on target this year.