

LESSONS AND CHALLENGES: PREVENTION AND PUBLIC SERVICE REFORM

Ken Gibb

What Works Scotland

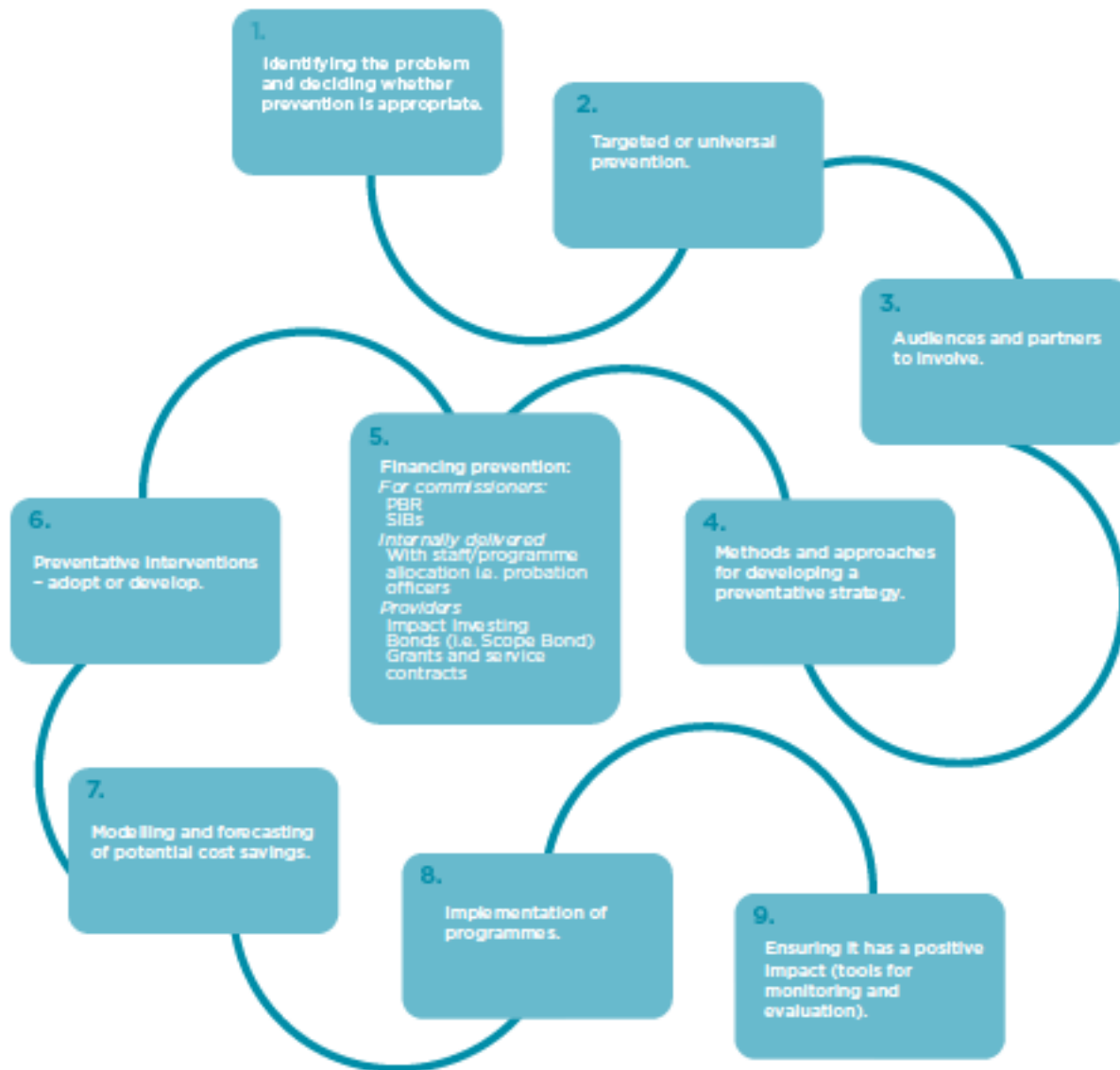
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Overview: Preventing Prevention

- Emergence of prevention strategies
- Distinguishing preventative spending
- Barriers & challenges
- Possible ways forward

Definitions

- A prevention strategy is one “*which disrupts, mitigates or eliminates causes of harm through the identification, implementation and diffusion of effective interventions*” (NESTA)
- Early intervention is about ‘*intervening before damage takes place in a way that avoid later costs in both human and financial terms of ... the consequences of the symptoms of that damage*’ (Graham Allen)
- Early Action aims to build ‘*a society that prevents problems from occurring rather than one that copes with the consequences*’



Distinguishing preventative spending

- Spending now to save later (or save elsewhere)
- Cashable savings?
- Savings tied to further prevention
- Investment may either come from reallocating existing resources (i.e. disinvest in one area to increase investment in the new area) or by leveraging in new resources externally
- Disinvestment/organisational change and political pressure inhibiting preventative spend

Evolution

- Public policy and prevention: a far-reaching and readily translatable concept
- Christie pillar and the 40%
- Scottish Government and the decisive shift
- Change funds
- Early action taskforce
- Funding innovations

Constraints or Barriers

- Misaligned incentives for individuals and organisations
- Present bias and discounting
- Silos, conflicting timescales, public sector accounting
- In defence of acute, symptomatic or reactive services
- Partnership challenges – integration not competition
- NESTA:
 - collaborative and partnership working
 - commissioning prevention
 - funding and risk
 - financing prevention in the short run
 - lack of compelling evidence
 - strategic level questions

An illustration: homelessness

- Scottish legislation acclaimed but is reactive rather than preventative
- Homelessness applications falling but in urban Scotland street homelessness and repeat presentations rising
- Homelessness services reflect the complex, multi-dimensional nature of the problem, typically of public policy areas where prevention may be important: requires integration between housing, NHS, justice, care, social security and often service providers in the 3rd sector
- Difficult to integrate e.g. critical partners may operate in a competitive funding environment inhibiting innovation

Possible Ways Forward

- Multi period comprehensive evidence-based accounting of costs and benefits [a new 'green book']
- Rewarding prevention successes, especially where they are not cashable
- Encourage traditional public sector investment borrowing
- Pilot innovations like special purpose vehicles e.g. local trusts, Social Impact Bonds, etc.
- Promote culture of prevention at individual and organisational levels e.g. in HR, leadership role, etc. (GHA illustration)

Accounting for prevention

- The challenge is to have the best evidence based financial case and help managers, risk-takers & stakeholders make decisions. 'Silo' accounting has to be shifted and multi year frameworks and ring-fencing – support from SG and councils required – cf English LAs
- Capturing costs and benefits of inputs and outcomes by partners over time – ex ante appraisal and ongoing monitoring tool
- Can cashable savings or non-cashable savings as 'credits' be used to incentivise/reward further prevention analogy to construction contractors savings 'pot'. Cabinet Office '**outcomes finance fund**' idea to support long term prevention investments without cashable savings
- Requires a new approach or recognition throughout government i.e. a new **Green Book** of appraisal of public projects – NESTA report research indicating a wider value for money approach may be more useful for prevention funding than focus on cashable benefits only

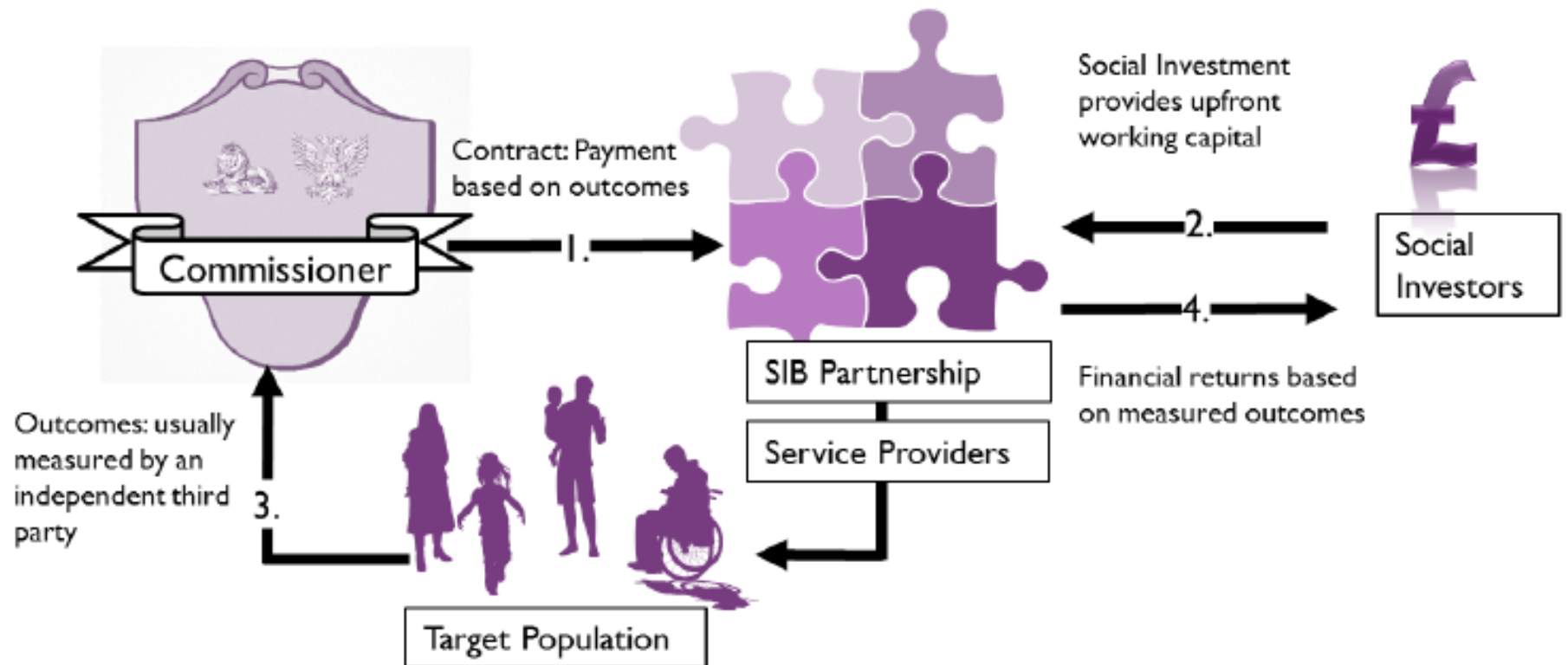
Nothing Ventured?

- Traditional on balance sheet prudential borrowing underused?
- Funding through **Payment by Results** – in essence the state pays for improved outcomes rather than inputs
- PBR can be high risk for both parties and if it is the main revenue model for the provider PBR can lead to more working capital being required and hence other investors needed to support the service
- Measurement and attribution issues with PBR
- Funding PBR through **Social Impact Bonds**:
 - promotes big investments required to tackle prevention
 - important if spending is needed before disinvestment elsewhere
- SIBs good for multiple provider intervention funding and where costs and benefits are distributed across different agencies but have advantage and disadvantages
- Special purpose vehicles including social enterprises like a **Local integrated Services Trust** – owned by PS stakeholders, broker role and supported by social investment partners and can recycle profits

Social Impact Bonds and Beyond

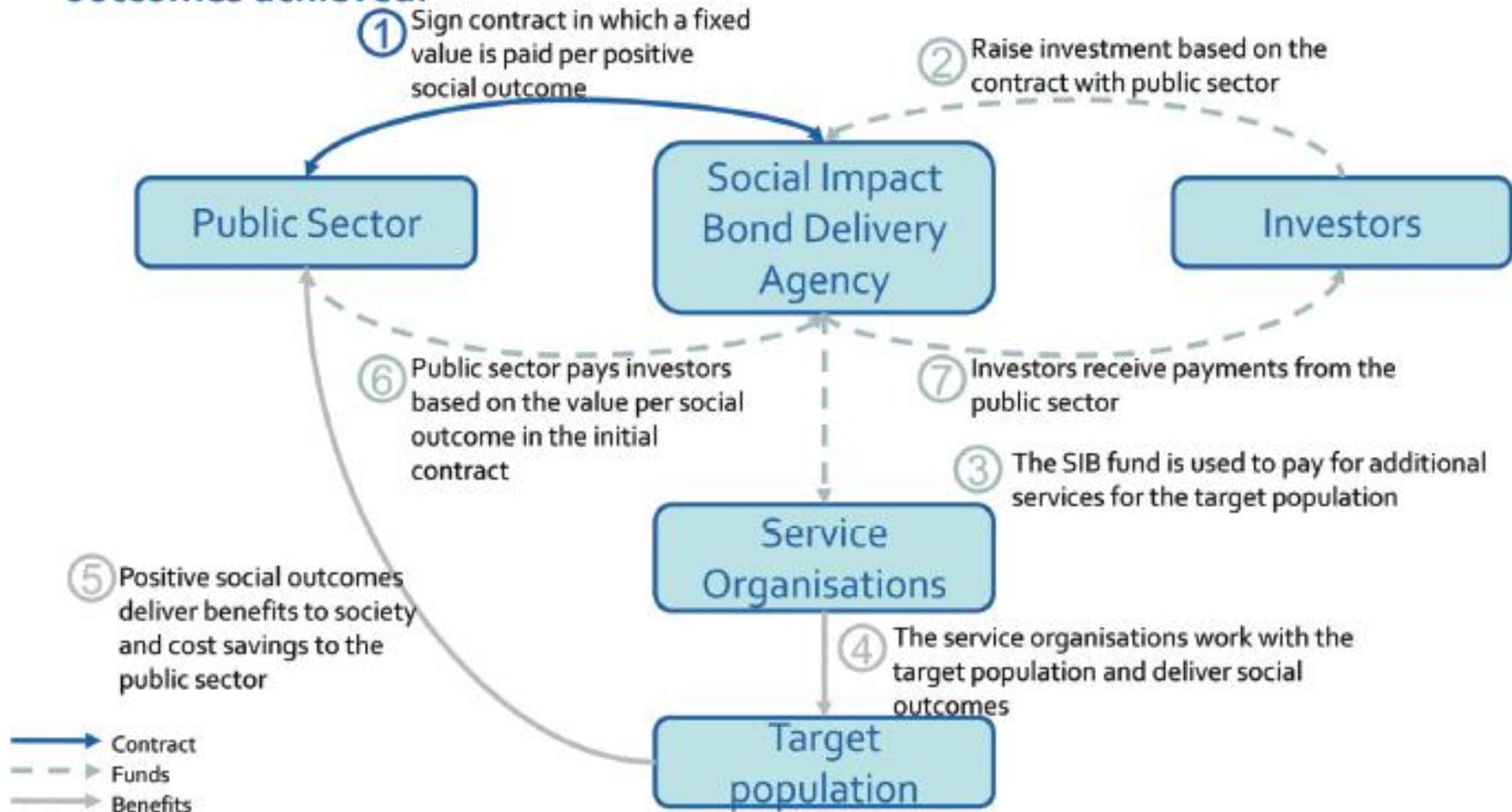
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WHAT IS A SOCIAL IMPACT BOND?



The Social Impact Bond mechanism

Social Impact Bonds raise funds for outcomes focused activity based on a contract with public sector agencies. Investors are repaid on the basis of the outcomes achieved.



Social Impact Bonds

Advantages

- Upfront funding and transfers risk to investors
- PBR focuses all on objectives & responsibilities
- Investors bring rigour to performance management
- Allows 'double running'

Disadvantages

- More expensive than direct provision (price of market failure)?
- Long set up process
- High threshold level of returns?
- Big shift required on data and monitoring
- Requires outcome measure for short and medium as well as long term

Conclusion

- The challenges and barriers are contextual, structural and agency based
- Key financial issues are about risk, time horizons and pooling resources given the public finance silos
- Also about leadership, incentives at all levels, and analytics
- Ways forward on the financial side include a range of financing initiatives and governance models, but also the full use of existing powers and flexibility – and may also be to do with things like the City Deals

Discussion Topics

- To make progress we need to understand the barriers to prevention – have the key ones been identified?
- Can there be a decisive shift in specific sectors or places – which areas are more likely to be fruitful?
- Ethical dilemmas – present versus future generations?
- Is this a fundamentally good idea being pursued at a difficult time (austerity)?
- What are the most important things to do to advance prevention where you work?