

Written evidence from the Big Society Capital (BSC) DES0041

Big Society Capital (BSC) and social outcomes

BSC is the UK's leading social impact investor set up by the UK Government in 2012 as an independent investment organisation, with c.£625mn capital from dormant banks accounts and four major high street banks. Our mission is to grow the amount of money invested in tackling social issues and inequalities in the UK.

One of our four priority areas is **social outcomes**, where public services commissioning through social outcomes partnerships (SOPs) have been delivering significant improvements to communities across the country for over a decade, with BSC as the largest institutional investor into the UK SOPs market. SOPs provide a better way of addressing complex social issues which can be difficult to do through traditionally siloed public service delivery and a centralised approach.

The UK is the global leader of this innovative model, with the United States second and many countries looking to emulate this. For example, the Australian government, in its first budget in 2023 since returning to power, launched a [\\$100m fund](#) to commission these contracts to “address entrenched community disadvantage”. As of 2022, over 180 commissioners have used this model in the UK, enabling 220+ social sector delivery partners to benefit over 55,000 people to date¹. Independent research has shown that for every £1 that the UK Government has spent, a further £10 has been created in social, economic and fiscal value, including £3 in direct savings to, or costs avoided by, government. The following responses provide an overview of BSC's views on the role of SOPs in delivering employment support at the local level, through existing case studies and evidence of SOPs in improving employment outcomes.

Questions

We have provided responses to the following highlighted questions:

Opportunities and challenges

- **What is behind the UK's decline in physical and mental health, and how does it vary region to region? What opportunities and challenges might further devolving employment support provide for addressing this?**
- What are the main opportunities and challenges associated with further devolution of employment support?
- What might be some of the unintended consequences of devolving employment support?
- What impact could greater devolution of employment support have on the consistency and quality of scheme delivery? How could consistency be maintained across a more devolved system?
- How might devolving employment support impact the relationship between jobseekers and DWP?

Structure – If employment support were to be further devolved:

- **Upon what basis should funding be allocated and why?**
- How should the boundaries of devolved areas be delineated?
- How would a more devolved system function in rural areas?

¹ https://bsc.cdn.ngo/media/documents/BSC_Outcomes_For_All_Report_2022.pdf

- **What role should DWP play under a more devolved system? For example, in terms of setting objectives, providing oversight, sharing data and establishing a framework for local areas?**
- What balance should be struck between national employment support schemes and locally delivered schemes?

Jobs and providers

- **What impact might devolving employment support have on the success and quality of job matching? How might it affect jobseekers with additional needs, such as people with health conditions, disabilities, and hard to reach groups?**
- What impact would devolving employment support have on employers and providers?

Lessons learned

- **What lessons can be learned from employment schemes already devolved to local government? (see answers to previous highlighted questions)**
- **Are there any international comparators the Committee should consider in our inquiry?**

Responses

What is behind the UK's decline in physical and mental health, and how does it vary region to region? What opportunities and challenges might further devolving employment support provide for addressing this?

The number of people who are economically inactive due to long-term health conditions has been growing rapidly since the pandemic, with 622,00 more economically inactive people in November 2023-January 2024 than in January-March 2020 in the UK, and with long-term sickness cited as the leading reason for economic inactivity². This economic inequality has a clear geographical split, with research showing that involuntary inactivity is greater in the North, with eight of the ten places with the highest rates being in the North³. Traditional 'one size fits all' and 'work first' approaches through the welfare system are proving ineffective at supporting affected people towards better health outcomes and back to work.

As an example of existing employment support programmes, the Government's flagship Universal Support (US) programme recognises the need for personalised support for this cohort of people with complex needs. Designing programmes to tackle economic inactivity is an ideal opportunity to move towards more flexible, relational, and holistic means of delivering support, in a way which makes the most of the grant funding mechanism to facilitate local decision-making and customisation.

Social outcomes partnerships (SOPs) are a better way to deliver complex public services and address the roots causes of economic inactivity. Under the SOPs structure, local or central government (the "commissioner") can commission outcomes for a specified group of individuals, such as better employment for those facing mental health issues. However, government funding is only released if the successful outcomes are achieved, so local delivery organisations (e.g. social enterprises or charities) receive upfront money from socially motivated investors (including government, philanthropic foundations and allocations from local government pension funds) to deliver the service. The investors

² <https://researchbriefings.files.parliament.uk/documents/CBP-9366/CBP-9366.pdf>

³ <https://www.centreforcities.org/reader/cities-outlook-2023/the-uks-army-of-hidden-unemployed-people/>

are only repaid if agreed outcomes are achieved and evidenced and the financial risk also sits with them; moreover, they receive a small return but only if better outcomes and better value for money is achieved.

As SOPs are organised around individuals experiencing multiple disadvantage rather than through public service siloes, they enable collaborative design, flexible delivery and clear accountability to tackle a range of complex issues, from supporting people into work and improving educational attainment, to reducing reoffending and tackling addiction. This delivery flexibility also allows for the rapid development and trial of new models for preventative intervention to improve services elsewhere. Building local partnerships is essential for the effectiveness of US, and SOPs are uniquely well placed to bring together the patchwork of public and third sector services to provide personalised support plans.

It is worth highlighting that SOPs are distinct from ‘Payment By Results’ (PBR) models as they harness partnerships of local voluntary, community and social enterprise (VCSE) organisations who understand local challenges and barriers, rather than the commissioning of larger corporates who might not be as embedded in local systems and may be more focused on pursuing profit. This is in part due to the long-term, patient social investment that provides these VCSEs with flexible funding and protects them from the financial risk of the contract. The focus on long-term outcomes also incentivises innovation in delivery through rigorous adaptive management and active monitoring of performance.

Upon what basis should funding be allocated and why?

As a starting point, we would ask central government to build on the learnings and track record of the past decade and consider the revival of an outcomes fund to transform the way public services address complex and social needs, and to ensure the UK continues to be a world leader and encouraging the growth of outcomes-based commissioning worldwide.

Independent research by ATQ using conservative assumptions has shown that in the last 10 years, £600m of public value has been created by 17 projects tackling education and employment at the cost of only £41m to Government. All of these projects form part of larger groups of projects, two funded by central government (the DWP Innovation Fund and the Youth Engagement Fund) and one family of similar (but not identical) projects commissioned by local authorities and NHS clinical commissioning groups, and part funded by the Commissioning Better Outcomes (CBO) programme or the Life Chances Fund (LCF) – the Mental Health Employment Partnership (MHEP)⁴.

Project group	No. of SOCs	Present value created
Youth Engagement Fund projects	4	£292.3mn
MHEP projects	9	£12.3mn
DWP Innovation Fund projects	4	£294.9mn
Total present value	17	£599.6mn

Table 1: Present value created by UK employment and training social outcomes projects⁵

What role should DWP play under a more devolved system? For example, in terms of setting objectives, providing oversight, sharing data and establishing a framework for local areas?

As a starting point, DWP should enable and encourage local authorities to deliver their grant allocation for Universal Support wholly or partly through SOPs which focus on health and integrated outcomes from

⁴ https://bigsocietycapital.fra1.cdn.digitaloceanspaces.com/media/documents/ATQ_SOC_Social_value_report.pdf

NB: Six projects in this sector were excluded because the data on them could not be easily obtained, all of which were projects funded by the DWP Innovation Fund.

⁵ Ibid.

the outset. These would build on the learnings of the health- and employment-related SOPs already commissioned by local and central government, and which demonstrate how SOPs adhere to procurement best practice and the principles of managing public money. Many local authorities are interested in expanding their use of SOPs or trialling them for this cohort.

SOPs can add value to US in several ways:

- By bringing together effective and sustainable local partnerships, particularly VCSE organisations who would typically be excluded from these types of contracts;
- By delaying payment until positive outcomes are realised, helping local authorities effectively manage their funding and ensure it is achieving strong value for money;
- By tackling the root causes of problems and offering longer term, holistic support, SOPs help ensure more sustainable change, reducing the volume of repeat periods of unemployment;
- By not relying on detailed service specifications, SOPs can best achieve the high levels of local tailoring needed to respond to the variation in challenges across the country;
- By providing detailed real-time outcome data to demonstrate impact and effectiveness. Payment is contingent on outcomes being achieved, meaning data evidencing these outcomes is rigorous.

***What impact might devolving employment support have on the success and quality of job matching?
How might it affect jobseekers with additional needs, such as people with health conditions, disabilities,
and hard to reach groups?***

As our experience demonstrates, SOPs are an incredibly effective way of tailoring services to the needs of the most vulnerable in our communities who otherwise would be left behind because their needs are multiple and complex. Below are a series of learnings across several population cohorts supported by SOPs:

1 – Supporting people looking for employment as well as with broader complex needs

The **Kirklees Better Outcomes Partnership** is a partnership of 8 VCSE organisations supporting people with long term and complex housing, health, and employment needs. Analysis by ATQ estimates that this work has generated savings to central and local government of around £141m. The outcomes to date have been paid for by a combination of Kirklees adult social care and the Life Chances Fund. The latest published data shows how 400 participants have been supported in finding and maintaining employment. 1000 further participants have been helped to upskill with courses or training, often helping them find better paid roles.

By switching from a traditional fee-for-service floating support approach to an outcomes contract, Kirklees Council achieved major improvements in the efficacy and quality of service provision. In particular, the flexibility of the outcomes contract allowed for much improved service utilisation and innovation in delivery resulting in greater productivity across the service. The asset-based approach with accountability for longer-term, tangible outcomes, meant that the improvements to peoples' lives was sustained, with significantly lower re-referral rates than comparable services.

2 – Supporting young people to enter and sustain employment

Getting young people into employment is long-standing priority for government. However, major policy programmes such as apprenticeships, T-Levels or the New Deal are targeted to generate achievements for all young people and can overlook vulnerable youths who are harder to reach. The latest ONS data shows an increase in the number of young people aged 16 to 24 years and considered NEET (not in employment or education) from 831,000 to 851,000 between October and December 2022⁶. Mental health over and above any other health or disability issue has the largest effect on the chance of being NEET. A 2022 Centre for Mental Health report⁷ stated that the cost-of-living crisis is harming mental health and making health inequalities worse.

SOPs present a huge opportunity for the Government to both address the immediate need exacerbated by the pandemic and provide a longer term, preventative approach at scale for vulnerable young people at risk of becoming NEET. The **Mental Health and Employment Partnership (MHEP)** operates using the principles of Individual Placement and Support (IPS) whereby work is used as a fundamental part of a person's treatment, rather than the traditional model of treatment and stabilisation followed by employment. MHEP uses the outcomes approach to deliver employment support services to people with severe mental health conditions, addiction misuse issues, and learning disabilities and has been working across 14 local areas delivered by 8 service providers and has been commissioned by 23 agencies including local authorities, Clinical Commissioning Groups and Job Centre Pluses. The latest published

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<https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/bulletins/youngpeoplenotineducationemploymentortrainingneet/february2024>

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https://www.centreformentalhealth.org.uk/sites/default/files/publication/download/CentreforMentalHealth_Poverty%26MH_Briefing.pdf

data shows that MHEP has supported more than 1,700 people into employment, with that number expected to rise as many more are supported through the programme.

3 – Employment for young ex-offenders

In 2020/21, 1,229 individual children spent time in custody, according to the Ministry of Justice and Her Majesty's Prison & Probation Service's Youth Custody report, with the number expected to more than double by September 2024 after a long-term decline⁸. SOPs can fill in this system failure by providing tailored and much-needed support once a youth has left the penal system, for example helping them learn new skills and enter the workforce. With government support, contracts already in progress can be replicated to work with young people at scale to help them rebuild their lives and integrate back into communities. This can also be done at speed, to support the wait for secure schools.

The **Skill Mill** provides transformational support to over 200 young ex-offenders across seven local authorities - Leeds, Rochdale, Birmingham, Durham, Nottingham, Croydon and Surrey. The winner of two Queen's Awards, The Skill Mill provides young people with paid real work experience, recognised qualifications, and support. The reconviction rate of people they have supported is just 8% compared to a counterfactual of 72% for young offenders with 11+ convictions, and 75% progress to further employment, education or training. The use of an outcomes contract here was particularly important because of the high degree of personalisation required to achieve sustained change within this complex cohort. Traditional approaches with shorter horizons and less flexibility have consistently failed to achieve meaningful or long-lasting impact.

4 – Empowering young people leaving care

The Children (Leaving Care) Act 2000 means that starting from the age of 16 every child in care must have a Pathway Plan that replaces their existing care plan and is produced by the local authority. Currently, around 14% of children in care leave care at 16⁹. Yet, adults who spend time as children in the care system are 70% more likely to die prematurely and care leavers are estimated to make up around a quarter of the adult prison population¹⁰. The 'What makes life good?'¹¹ report commissioned by the Department of Education shows there is a steep decline in wellbeing after young people leave care, with care leavers suffering from a disability or long-term health problem particularly vulnerable.

Across the West of England and South East London, the **Reboot West and iAspire** social outcomes approach is being delivered to help care leavers live independently, and secure education and employment. The projects have been commissioned by the Department for Education and seven local authorities and are being delivered by Depaul UK in London and 1625 Independent People across West England, charities that have significant experience of combating youth at risk of, or experiencing, homelessness. The latest published data shows these projects have supported over 500 care leavers, with entry into employment and education rates of up to 61%.

Are there any international comparators the Committee should consider in our inquiry?

We would encourage the Committee to explore the [case studies](#) of the Government Outcomes LAB of the Blavatnik School of Government at Oxford University. Go LAB was created as a partnership between the

⁸ <https://researchbriefings.files.parliament.uk/documents/CBP-8557/CBP-8557.pdf>

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https://www.local.gov.uk/sites/default/files/documents/15.12%20Support%20for%20care%20leavers%20resource%20pack_02_1WEB.pdf

¹⁰ <https://www.probonoeconomics.com/Handlers/Download.ashx?IDMF=1514961c-7bcd-4b59-84c4-0eed9ec32adf>

¹¹ <https://coramvoice.org.uk/wp-content/uploads/2020/11/1883-CV-What-Makes-Life-Good-Report-final.pdf>

School and the UK Government, and its role is to investigate how governments partner with the private and social sectors to improve social outcomes.

We would also note that the Australian government, in 2023 in its first budget since returning to power, launched a [\\$100m fund](#) to commission these contracts to “address entrenched community disadvantage”, so would encourage policymakers to explore Australia’s approach to social outcomes partnerships to tackle social issues, and more broadly the government’s approach to [social impact investing](#).

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