

**Deloitte.**

**is.**  
improvement **service**



# Outcome Budgeting in the Scottish Public Sector

## Final Summary Report



# Contents

1	Executive Summary	1
2	Background	4
3	Approach	5
4	Stage One findings	9
5	Stage Two findings	14
6	Conclusions and next steps	18

# 1 Executive Summary

## Objectives and approach

The aim of this project was to review the potential for outcome budgeting in the Scottish public sector, supporting Community Planning Partnerships (CPPs) to understand how their budget decisions affect the delivery of their Single Outcome Agreement (SOA) outcomes. During the course of the project this initial aim led us to focus on how effectively resource management and the delivery of activity are focused on achieving improved outcomes.

A two part methodology was used with two volunteer CPPs:

- Stage One of the project mapped budget and performance data against outcomes to look at how outcomes were currently being delivered.
- Stage Two used focus groups with service managers to look at how successfully outcomes were being delivered, the barriers to delivery of outcomes, and whether improvements could be made in this area.

The findings and recommendations in this summary report are based upon the Outcome Budgeting Project Board's consideration of a detailed draft final report on the project which includes more comprehensive analysis of spend data, and which has been provided to the two CPPs for their own information.

## Key findings

The project identified a strong foundation for the development of outcome budgeting in the Scottish public sector. All stakeholders agree that a focus on outcomes is important and apply this, so far as possible, in their day to day work.

However, there are clearly some barriers to an outcomes approach being fully implemented.

For outcome budgeting to be successful, it would require:

- Clearly defining outcomes and developing performance and quality indicators that measure the achievement of those outcomes;
- Assessing the cost of an activity or service; and
- Being able to understand a causal relationship between the activity, the spend, the performance / quality indicator and the outcome.

Stage One identified two key barriers preventing the sector from planning and budgeting on this basis:

- Some refinement is required to the identification and measurement of outcomes. It was difficult to map a relationship from budget to activity and from activity to outcome, making delivery hard to evaluate.
- It was difficult to identify how resources are used to deliver outcomes: in particular, it was hard to identify and cost discrete activities. This makes it difficult to assess the role of different activities in achieving outcomes.

Despite these barriers, Stage Two found a high level of consensus on the activities needed to deliver outcomes: a greater focus on partnership working, aligned with early intervention and prevention activities, is required.

Stage Two identified that the achievement of outcomes will require resource shifts from reactive services to preventative services, and from much mainstream service delivery to community and partnership based service delivery.

However, Stage One of the project demonstrated that the opposite is taking place: discretionary, early intervention, preventative and partnership activities are often the first being cut in the difficult financial climate.

This difficulty in delivering the required resource shifts is not surprising due to several local and national barriers:

- The evidence that proves that these kinds of intervention are successful is often 'soft' rather than 'hard'. This makes it difficult to persuade decision makers of the need for resource shifts.
- There are local and national political barriers. Understandably politicians often prefer to prioritise easily identifiable inputs and outputs such as class sizes and numbers of homecare hours provided, rather than focus on more complex and longer term outcomes.
- Performance management can be too complicated. There are often too many initiatives and performance targets, distracting frontline workers and service managers from focusing on outcomes.
- Local public opinion favours local schools and hospitals, which makes it difficult to rationalise premises so as to release resources to move into prevention.

Ultimately, there are not the systems nor information in place for politicians and organisations to come together and look at the whole of public spending in an area in the round, assessing what works across the agenda and across partners, and choosing to fund accordingly.

## Recommendations

It has become clear during the course of this review that the term 'outcome budgeting' would be better replaced with the term 'outcome planning'. This would imply a broader approach encompassing planning, performance management and resource allocation. It would encourage a focus on working back from the outcome, to determine how it can best be achieved, not working forward from the pre-existing organisational model.

A consistently applied and mainstreamed outcome planning framework could help to address some of the barriers identified to an outcomes focus.

It would aim to:

- Define a set of outcomes that clearly express partners' priorities and the needs of the community;
- Identify the key activities that help deliver the outcomes and can be clearly measured;
- Identify the resources (e.g. staff, skills, equipment, buildings, funding) required to deliver the activities;
- Identify the resources available and plan and prioritise their use in undertaking the activities which will help deliver the outcomes;
- Mainstream evaluation and causation analysis, creating a more rigorous approach in examining public spending, and building a clearer message of the kinds of activities that work; and
- Create the opportunity for politicians, senior managers and organisations to come together and make resource allocations based on what works.

Putting in place this kind of framework could then lead to more radical reform, looking at integrated teams, joint performance management frameworks, pooled budgets and joined up resource allocation systems. This process could, if needed, also support organisational restructuring if the current system is not configured to achieve outcomes.

## Next steps

This is potentially a huge agenda that will require significant local and national change in processes, systems, roles, culture and ways of working. It would need to be a long term project, supported by a comprehensive change management and stakeholder engagement strategy.

Consequently we would suggest that more work needs to be done on a local level with volunteer CPPs in order to develop the case for some of the conclusions. We offer some suggestions on parameters for this work below.

During the course of this review it has become clear that a golden opportunity is emerging to pursue this agenda. There is a clear consensus that a stronger focus on outcomes is needed, as demonstrated by the Christie Commission report and by the Scottish Government's response.

However, this opportunity will only continue to exist if we can demonstrate the practical value of an outcomes focus. This project has hopefully laid the foundations for the delivery of such practical value, but we would recommend that the opportunity has to be seized quickly, with even sharper focus and commitment going forward, in order to capitalise on the current opportunity.

# 2 Background

## Context

The Scottish public sector is currently facing significant challenges including:

- Unprecedented pressure on public finances through reduced budgets with simultaneous increases in demand and expectations; and
- Increased focus on the delivery of outcomes as agreed in Single Outcome Agreements (SOAs) between Community Planning Partnerships (CPPs) and the Scottish Government.

The work of the Improvement Service with CPPs and SOAs has identified that developing a form of outcome budgeting on a partnership basis is key to overcoming these challenges. This will ensure resource management processes are effectively focused on achieving improved outcomes. The development of such a methodology has been agreed as a key area of work by the Scottish Government and COSLA.

Consequently the Improvement Service commissioned Deloitte to conduct a review of the potential for outcome budgeting in the Scottish public sector by working with two CPPs, who volunteered to be part of the project.

## Defining the concept

The definition used for this work is as follows:

### Outcome budgeting – a definition

Outcome budgeting is defined as a budget process that makes resource allocation and control decisions based on the results of the expenditure.

It is distinct from budgeting based on inputs (staff, buildings, materials) and budgeting based on outputs (e.g. numbers of people educated, operations carried out, prisoners held in custody).

*Above definition is taken from Flynn, N, 'Moving to outcome budgeting' (2001). This was a paper developed for the Finance Committee of the Scottish Parliament.*

Fundamentally outcome budgeting is based on the premise that the public sector should fund what works, rather than focusing on how much it costs to run a particular service or buy a particular output. For it to be successful it would require:

- Clearly defining outcomes and developing performance and quality indicators that measure the achievement of those outcomes;
- Assessing the cost of an activity or service; and
- Being able to understand a causal relationship between the activity, the spend, the performance / quality indicator and the outcome.

Meeting these criteria would allow budget holders to be able to make budget decisions based on an understanding of the likely impacts of their decisions on outcomes.

This project aimed to investigate how the Scottish public sector could move in the direction of a more outcome-focused budgetary process.

# 3 Approach

## Overview

The project was split into two stages:

- Stage One mapped public spending and performance data against outcomes to look at how outcomes are currently being delivered.
- Stage Two used focus groups with front line staff and service managers to look at how successfully outcomes were being delivered by the activity identified in Stage One, the barriers to delivery of outcomes, and whether improvements could be made to the delivery of outcomes.

This section of the report outlines the methodology used for both stages and provides some guidance so that CPPs can consider implementing the approach in their own areas.

## Stage One

The aim of the first stage of the project was to map spending and performance data against outcomes. This was designed to indicate how outcomes are currently being delivered and offer insight into the foundation for outcome budgeting in the Scottish public sector by looking at the relationship between activity and outcomes through performance indicators.

Initially the two volunteer CPPs identified the key thematic areas and the outcomes that they wished to look at, and the key partner organisations which should be involved.

Both CPPs wished to look at their outcomes in relation to the three themes of:

- Health and social care for older people
- Community safety
- Early years, education and employability

Deloitte and Improvement Service (IS) staff then liaised with key contacts within each partner organisation to identify and collect the finance and performance information required against each outcome using a data collection spreadsheet, an extract of which is indicated below:

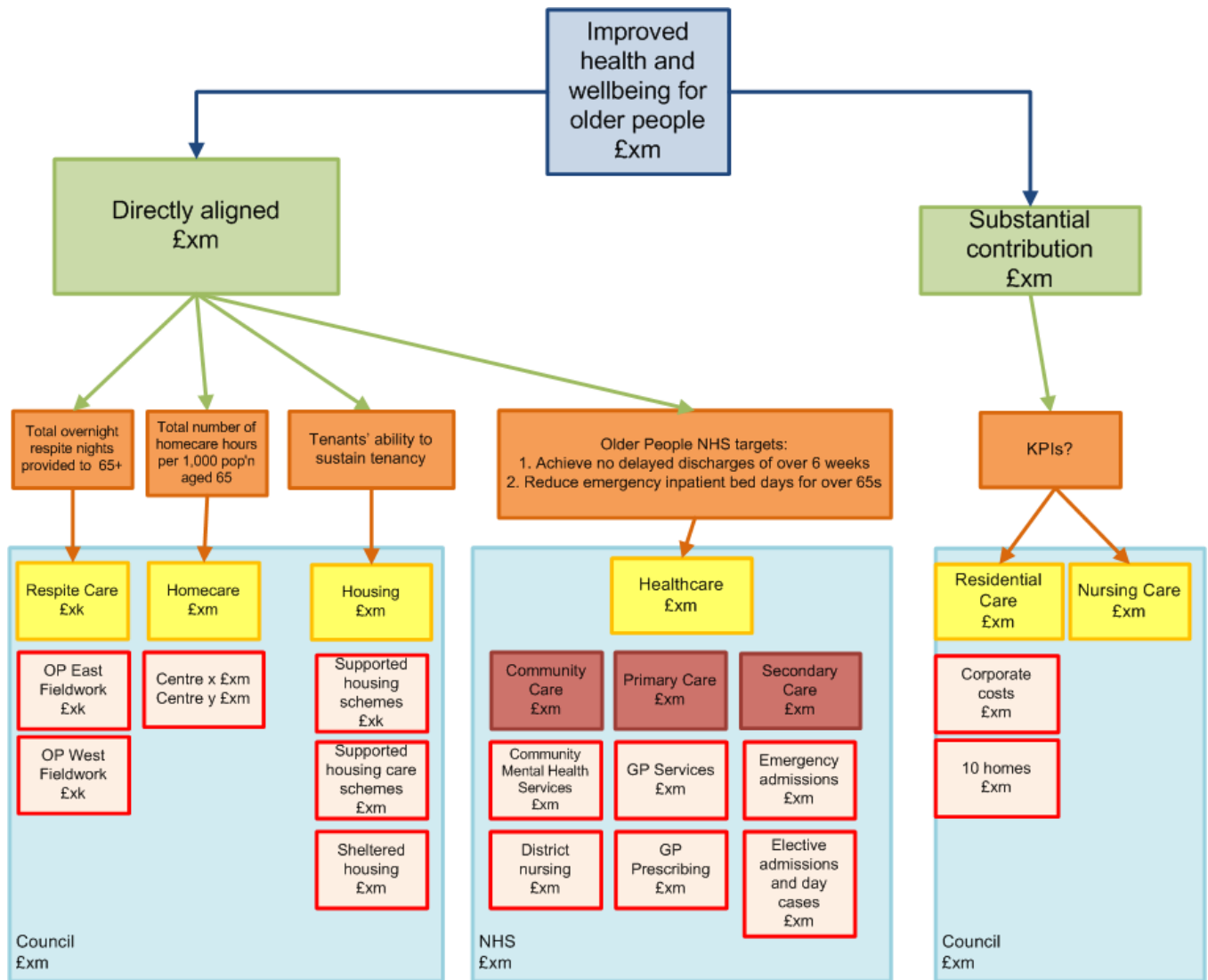
Budget lines			Budget information		
Theme	Organisation	Expenditure Area	What is the value of this funding in 2010-11?	What is the value of this funding in 2011-12?	Source
Health and Social Care	Council	Homecare			
Health and Social Care	Council	Daycare			
Health and Social Care	Council	Residential Care			

We worked with corporate finance and performance staff to complete the spreadsheet. These staff coordinated the completion of the spreadsheet, sometimes passing it to staff in service areas to complete.

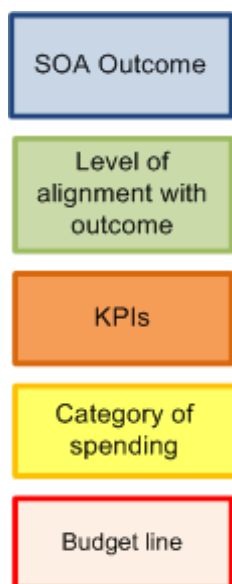
Key questions asked in the spreadsheet included:

- Provision of budget line data for 2010/11 and 2011/12 for key activities undertaken in support of each outcome.
- Apportionment of share of funding spent on key client groups, including elderly people with current or future care needs, children aged 0-3/5 years, teenagers at the transition to positive destinations, and households experiencing deprivation.
- Assessment of whether funding is preventative in nature, using four categories:
  - Primary prevention: services aimed at the whole population regardless of need, ensuring general wellbeing e.g. advice services
  - Secondary prevention: services aimed at people considered at risk e.g. social housing
  - Tertiary prevention: services aimed at people with an established need to prevent future acute care e.g. home care
  - Reactive: acute services e.g. residential care, hospital services
- Assessment of which of the key outcomes is met by the activity funded, and to what degree. Contacts were asked to assess whether the funding is directly aligned to the outcome, or makes a significant, peripheral, or no contribution to the outcome.
- Performance information that indicates how the relationship between the activity and the outcome is measured.

This information was then turned into funding maps that sought to visually represent the relationships between activities and outcomes, a dummy example of which is presented below:



### KEY



In these funding maps the sum of the budget lines (in the red boxes) equals the amount shown in the category of spend (the yellow box) above. The sum of the categories of spend equals the amount of directly aligned funding and substantial contributions (the green boxes).

These funding maps were then subjected to a validation process in the form of workshops held with corporate and frontline staff.

Section Four of the report below lays out the findings of this work.

This method did face some challenges which CPPs should seek to learn from in implementing the approach themselves.

First, engagement of operational staff has to be a key focus from the outset of the project:

- The right people have to be involved: no single person is responsible for the totality of budget management and service delivery across organisations and therefore a range of people with different understandings need to be engaged. In particular combining input from finance staff and service managers is critical.

- The focus on performance linked to finance can make staff uncomfortable. The purpose and aims of the project must be clearly communicated.
- Allowance must be made for the fact that completing the spreadsheet is a difficult task. Work has to go into producing each piece of data. This approach cannot be handled at the margins of day to day business.

Second, it has to be acknowledged that it is difficult to capture the complexity of public sector delivery in any area in a single diagram. Consequently an approach which focuses on every item of public spending down to the last pound would not be an effective use of resources.

The funding maps must be considered indicative and high level. They can be helpful ‘can openers’ for discussion and challenge around the contributions of activities to outcomes. The visual representation in the maps of how organisations think their budgets, activities, performance measures and outcomes are linked can prompt more focused thinking. The reaction to a funding map can sometimes be “that can’t be right”, which is a way of getting closer to the truth. CPPs should consider supporting the development of funding maps with further written documents, tables and spreadsheets to provide context.

## Stage Two

The first stage of the project aimed to map spending against outcomes, producing baseline assessments of the level of funding and activity making a contribution to each outcome, and identifying performance indicators that showed a relationship between spending and outcomes.

The second stage of the project aimed to take these baselines and look more closely at the causation relationships between funding, performance indicator and outcome. The aim was to assess which activities were having the most impact in delivering outcomes; any barriers to delivery of outcomes, and whether improvements could be made in the delivery of outcomes and how resources are being used.

In Stage Two we looked at two of the outcome areas considered in Stage One:

- Early years, education and employability
- Health and social care for older people

The key method selected was focus groups involving front line leads and service managers from the relevant services. These groups aimed to investigate the practitioners’ views on what achieved outcomes in their respective fields, whether there was evidence to support these views, and whether an examination of the links between outcomes, performance indicators and budgets could support the improved use of public money and resources in achieving outcomes.

Section Five below lays out the findings from the focus groups.

We found these focus groups exceptionally useful in investigating some of the detail that lies behind the funding maps on how outcomes are actually delivered. Frontline staff were happy to be involved and provided honest feedback on the issues faced in their areas with a focus on outcome delivery. In particular bringing staff together from across agencies allowed the unpicking of common problems and barriers. As will be indicated in the next steps section of this report, we would see a critical part of any follow up work as building on these focus groups with process mapping and analysis to delve into more detail on outcome planning.

# 4 Stage One findings

## Overview

This section of the report discusses the general findings from undertaking the Stage One approach and then moves on to outline some of the specific points noted from considering the individual funding maps.

## Foundation for outcome budgeting

Developing the funding maps proved a useful exercise in demonstrating some of the difficulties in moving to an outcome budgeting framework.

## Measuring outcomes

There is a strong foundation in this area due to the work carried out through the Single Outcome Agreement (SOA) process. Local staff agree that outcomes are important. CPPs have clearly made efforts to identify outcomes and supporting key performance indicators (KPIs), which is an important first step. However, some refinement may be needed to develop a set of outcomes that can clearly be measured as part of an outcome budgeting framework.

For example, some outcomes selected by CPPs are extremely broad and may not clearly identify their actual priorities. Care for the elderly is a priority for most CPPs, but may not be a SOA outcome. One SOA outcome covered older people's health and wellbeing as well as their engagement in communities and with services. Many different types of spending become relevant here, which makes it difficult to specify which activities are delivering which part of the outcome. Another SOA outcome covered the health and wellbeing of the whole population, but not of specific groups such as the elderly. Other outcomes may measure the same thing: in one SOA we have seen multiple children's outcomes that are variations on the single theme of educational attainment. Still other outcomes are not outcomes at all and measure quality of services – which is effectively measuring an input or an output.

There is also a difficulty around the measurement of outcomes using KPIs (i.e. key indicators of performance and/or quality). Getting these right is just as important as getting the overall outcome right. Too often KPIs selected are output focused, on the number of homecare hours supplied, for example, rather than whether this care keeps older people healthy. This is particularly a problem when it comes to relating KPIs to individual units of activity that measure whether the activity is achieving the outcome. KPIs are often either linked to the outcome, or, more commonly, to the activity. It is hard to find examples where they are linked to both, or to the budget.

This problem becomes particularly challenging when indirect relationships between activity and outcome are being measured and assessed. For example, it is difficult to assess the impact of youth diversionary work on reducing crime and anti-social behaviour. There can be significant time lags in these areas.

A further difficulty was in the identification and quantification of the contributions of an activity to outcomes beyond its traditional remit. Where this was attempted, for example in the contribution of the schools service to reducing anti-social behaviour, there was no basis for agreeing whether the entirety of the schools budget should be attributed as a contribution to that outcome. And if x% of the schools budget was attributed to that outcome, did that mean that only (or as much as) x% should be spent in that way?

These difficulties make it difficult to map a relationship from activity to outcome. It is easy to show the budget structure at the bottom and the outcomes at the top of a funding map. However, there are generally not the KPIs in place to demonstrate whether one is achieving the other. An outcome framework is being retrofitted to a system focused on inputs and outputs.

Better outcome planning is required to draw the relationships between activity and outcome that will make outcome budgeting a possibility.

## Defining activities

It proved challenging to isolate the costs of meaningful activities that can be shown to achieve outcomes.

The budget data provided often focuses on blocks of expenditure that fund a range of discrete activities. For example, the data can be broken down into funding for whole teams, which might carry out a range of activities. The data can also be broken down into individual costcentres for staff costs, equipment and stationery, which, again, might contribute to a range of activities. It appears harder to isolate and price the cost of activities that might improve outcomes. This is due to the way in which financial ledgers are set up in all of the main local agencies.

For example, in the case of health, the problem is technical and systemic in the way that budgeting systems work. NHS Scotland runs its budget cost centres by speciality (e.g. Orthopaedics, Paediatrics) and by function (staff costs, equipment costs). This makes it difficult to identify the cost within specialties of preventative and reactive care, the split between community, primary and secondary care in each specialty, and the cost of actual activities such as clinics, screening or operations, although significant work in these areas, such as the Integrated Resource Framework, is making progress. Further work on the use of resources will be needed for outcome budgeting to be successful.

A similar situation applies to the Police, who can break down budget lines by division (e.g. Communities, Specialist Services) or by function (police officer pay, support staff pay). However, based on their current budget systems, the police cannot cost activities such as a police officer carrying out crime prevention work with the elderly, patrolling the street, or investigating a crime – as police officers are multifunctional and carry out a range of roles, some of which may well overlap. This makes it hard to isolate the cost and success of any particular activity. In order to provide data to this level, substantial activity analysis would be required to enable activity based costing to be undertaken and establish unit costs.

Overall, spending data is often not of the right type to be able to isolate the cost of individual units of service activity. Therefore it becomes difficult to test for the role of different units of service activity in achieving outcomes.

## Key client groups / customers

Stage One found some difficulty in linking spend to particular client groups and customers. In some cases it is straightforward: care for the elderly, for example, is clearly focused on older people as a client group, and early years spending is clearly focused on children aged 0-5. This is a very high level breakdown though, and more detail is not always forthcoming. Isolating general universal service spending on client groups and customers has been particularly difficult. This may be due to a lack of activity, date of birth, and postcode data. It indicates a lack of ability to show which outcomes or populations spending is actually supporting.

In particular, the project found problems in analysing spend on deprived communities. In some cases this is seen as obvious: for example, we have been informed that the police tend to have more patrols in relatively more deprived areas experiencing high crime; more funding tends to go to schools in deprived areas; and some social care funding is designed to go to the people who need it the most. There is clearly a great deal of work going on in these areas to target resources.

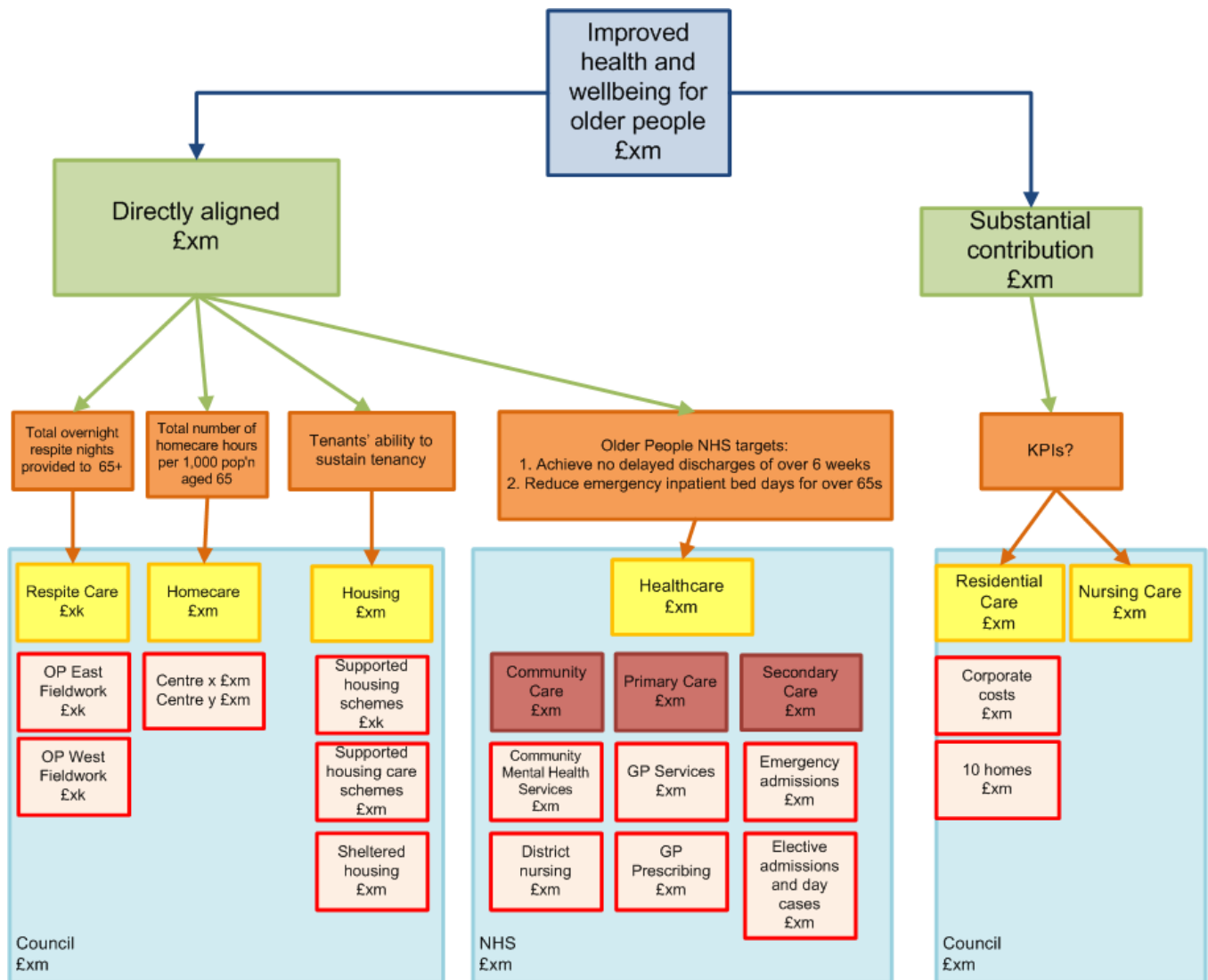
Yet the collection of data as part of this project did not reflect this type of targeting. For example, one CPP's educational outcome is both "raising educational attainment and reducing educational inequality", but the data provided did not quantify spend targeted at inequality or measure performance in its reduction. This may be a consequence of being unable to cost activity effectively, so that shares of funding cannot be linked to target populations.

## Specific findings

This section of the report outlines some of the specific findings made in each of the three thematic areas looked at with both CPPs as part of Stage One: health and social care for older people, community safety, and early years, education and employability.

It also provides example extracts from funding maps, indicating the kinds of services included in each area. Please note these example maps are indicative only and are not complete maps, due to constraints on space. Please also note that the descriptions of budget lines vary between organisations and partnerships.

### Health and social care for older people

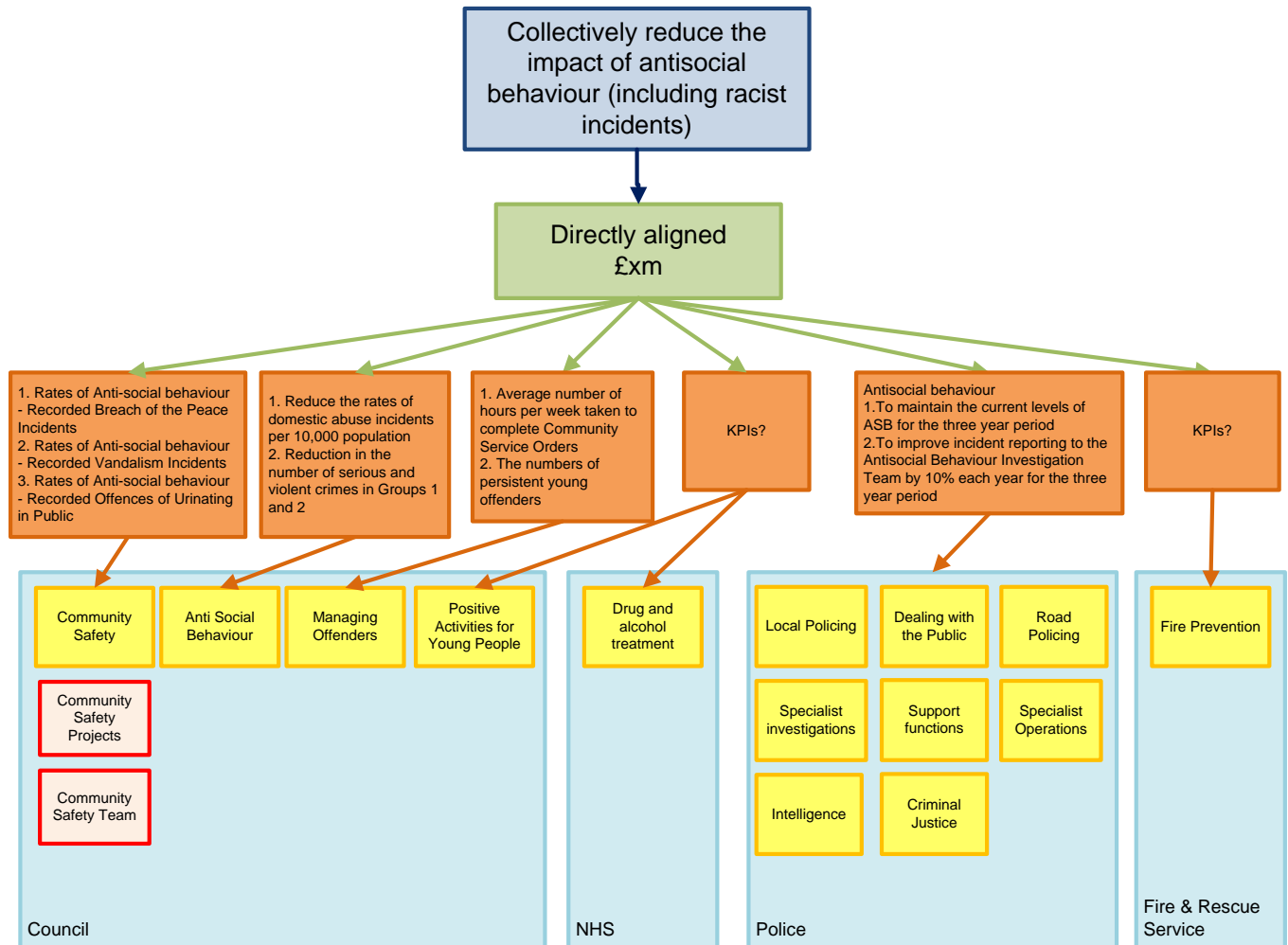


The analysis in this area, including comparison between 2010-11 and 2011-12 illustrated some interesting points:

- The largest category of spending in this area is reactive care. Investment in preventative activity such as homecare, daycare, telecare, community alarms and supported housing is dwarfed by residential social care and acute healthcare spending.
- Investment in general wellbeing schemes is also limited.
- Healthcare spend shows spend on care in the community as a relatively small proportion of primary and secondary spend.
- Discretionary, preventative activities such as general wellbeing projects and supported housing are often the biggest losers from budget changes for 2011/12.

- Multiple directorates sometimes fund certain areas of work. For example, in one CPP, private housing adaptations were funded by one directorate, and council housing adaptations were funded by another. Care should be taken to ensure consistency of approach.
- In this example, KPIs may not distinguish older people, and relevant KPIs may not be identified for significant categories of spending.

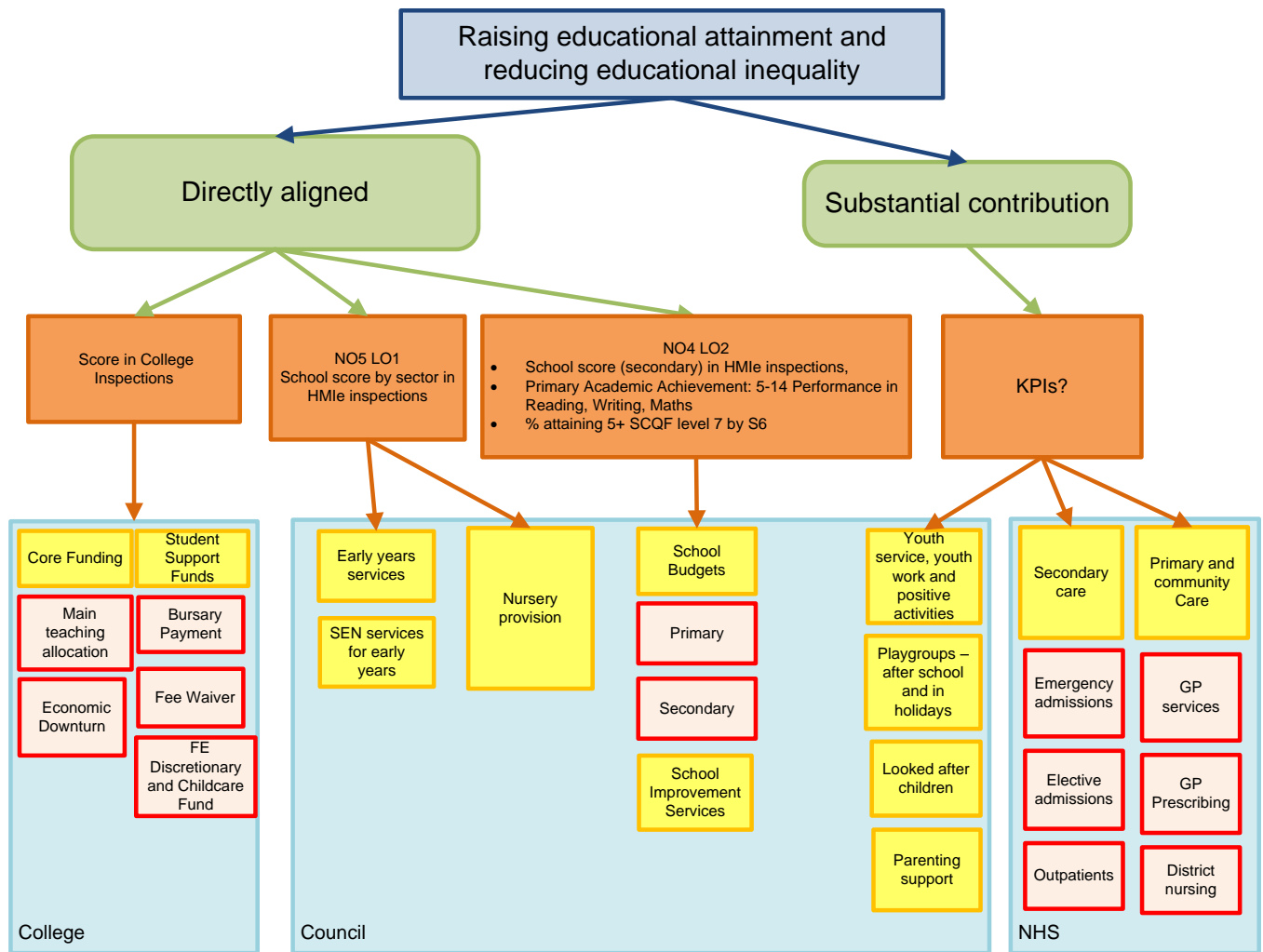
## Community safety



The funding maps and other analysis in this area raised the following points:

- It was difficult to assess how much funding is spent in crime prevention as opposed to reacting to crime.
- Relatively little information on preventative approaches was provided, such as provision of youth services.
- Discretionary, preventative projects are being cut for 2011/12.
- In this example, KPIs for anti-social behaviour measure change in its incidence, but not in its impact (which is the intended outcome).
- In this example, relevant KPIs may not be identified for significant categories of spending.

## Early years, education and employability



The funding maps and other analysis in this area raised the following points:

- Unsurprisingly spending on schools dwarfed spending on all other activities, including early years services.
- It appears that relatively little spending is directly aligned to supporting teenagers after they have left school, certainly compared to the education budget.
- The biggest losers in budget terms for 2011/12 are often preventative and discretionary activities, including childcare, employment programmes, the youth service, services for early years and school meals.
- In this example, relevant KPIs were not identified for reducing educational inequality (which is part of the intended outcome) and relevant KPIs may not be identified for significant categories of spending.

# 5 Stage Two findings

## Overview

This section of the report outlines the findings from the focus groups conducted with front line leads and service managers as part of Stage Two. Focus groups on health and social care for older people were held with both partnerships and one focus group was held on early years, education and employability.

## Early Years, education and employability

### Achievement of outcomes

The key finding of the focus group was that **partnership activity, based on prevention and early intervention, is the key driver of improved outcomes for children**. It allows public agencies to come together to focus on the whole child and their family, addressing a range of issues simultaneously, and tackling the wider social and economic context within which children access mainstream services such as education.

This kind of joined up activity can demonstrate successful outcomes in enhancing educational attainment amongst pupils from the most deprived backgrounds, for whom school can sometimes not be suited. Mainstream education is tailored understandably to the majority of pupils – but there is a minority who are not suited to school and who need alternative provision. Integrated partnership working (such as bringing youth workers into schools, and developing alternative curricula and methods of teaching) is required to provide for these pupils.

It is important to note that they are the pupils who often incur significant cost to the public sector downstream through offending and destructive patterns of behaviour. This kind of working is therefore cost effective as well as improving outcomes.

It was also found that **investment in early years focussed on building success should reduce the costs in later years of the failure to have done so**, particularly from the education and health perspectives. A strong foundation in the early years increases the probability of a healthy happy child: a weak foundation increases the odds of later difficulties, sometimes lasting through the child's life. This requires a shift in investment from crisis intervention to prevention and early intervention.

### Barriers

The problem is that **the impact of activities of the type described above is often not taken into account**. They do not, or are not seen to, have a massive impact on general educational attainment – which is often the primary focus of politicians and policy makers, even when reducing educational inequality is also an agreed outcome. The projects are often too small scale to impact on general attainment, as they focus on small numbers of pupils. SOAs may be seen as marginal to some of this critical local work by service managers.

This is made more difficult by the fact that **it can be difficult to measure outcomes of activities**. In localised cases where there are small numbers of pupils directly affected, this can be done. But with wider issues it is more difficult. If youth offending goes down, is it due to increased numbers of police on the streets, or better community services for young people? This is difficult to untangle. The issue of time lag is also difficult: investment in the education of parents can sometimes only reap a reward years later in terms of employability and positive outcomes for teenagers.

Therefore managers involved have to fight very hard to obtain funding for the work. Worse still, budgets in this area are often the first to be cut when this is required, as was indicated earlier in Section Four of this report. Discretionary partnership work, such as providing more personalised teaching and employment advisors for

marginalised pupils, clearly becomes more difficult in a challenging financial environment, and yet it is absolutely critical to success in this agenda.

Furthermore, **moving money into these types of activities from other activities is difficult**. There is little flexibility in education budgets due to specified requirements in areas such as class sizes. Schools have fixed costs. Moves that might free up money and make the education service more efficient – such as merging underoccupied schools – are often politically very difficult.

Indeed **political priorities can be a key barrier to improving children's outcomes**. Understandably politicians tend to focus on easily understood inputs and outputs such as numbers of teachers, class sizes and general attainment levels, rather than softer outcomes, such as improving wellbeing, which require longer-term investment, and may be more nebulous for the public to understand. This drives policy and the way in which services are run.

Local officials can make things work on the ground by knowing who their counterparts are and aligning activities accordingly, getting round barriers. Much good partnership working happens locally through local key workers wanting to do things differently. However, **there may be structural barriers at the more strategic and senior levels in organisations**. Differences in organisational structures and between remits and responsibilities can be a challenge at this level as the structures required are more complex. The resource allocation system and process is lagging behind what people are doing on the ground.

**Ultimately there is no general mechanism for linking of budgets to outcomes at the most strategic level.** This makes it difficult to have joined up budget discussions where community based services could make the case for integrated, joined up partnership solutions. Policy makers often focus on educational attainment and the education service, but effort has to go into recognising wider support for educational attainment, looking at budgets in the round. To tackle this there has to be a clearer, stronger message that these types of service do improve outcomes, and a way of working that enables this message to be taken into account.

### The way forward

A more strategic, integrated approach is needed to recognise wider support for outcomes for children, looking at resources in the round and then choosing where and how to deploy them in the ways that will make the most difference. For example, should money be taken from the core education budget to fund the extra personalised support and youth workers mentioned above for disengaged children?

To make such an approach work, better, more consistent evaluation is needed to make the necessary arguments, with resource allocation decisions made on the basis of the evidence.

This may lead to genuinely pooled budgets across agencies and departments with shared outcomes and joint performance measures.

## Health and social care for older people

### Achievement of outcomes

There was general agreement in the focus groups on the way to deliver improved outcomes for older people. **This was to deliver increasing levels of independence for older people by supporting more people to live at home.** This can be done by providing more low level social and health care support, either through preventative support such as nursing or care at home, or through supporting early discharge, reablement and rehabilitation activities. This kind of activity is **best achieved by partnership working between health and social care systems** as most patients require a combination of different types of care.

### Barriers

However, despite the fact that there is a clear direction of travel for all services, agreed both at central and local government levels, the focus groups acknowledged that more could be done to achieve the agenda. There are significant systemic and cultural barriers to achieving a more joined up approach.

The most common issue raised by the focus groups was the **current nature of the performance management system**, seen as a key barrier to better local working. Local staff concluded that there are far too many health initiatives and performance targets, caused by the fact that government tends to work in silos, each part requesting its own performance frameworks of indicators. This creates an industry of performance analysts feeding data systems, requiring support and information from local key workers, distracting them from doing their jobs. Many of these different initiatives are considered important, but they get piled on top of each other, making it difficult to find the time to carefully consider each one, and so losing the initiative's intended impact. Government has to be more joined up, role modelling the behaviours that they want to see at a local level with agencies working across organisational boundaries.

This situation can then be exacerbated by the SOA, which is perceived to add another burdensome layer of performance management and can be regarded as peripheral to the work of teams on the ground, if it does not express the real priorities of the partners. Staff feel that they are working towards the national community care outcomes framework, not the SOA, making the SOA less relevant. In this environment services and CPPs have to play two games, facing both the SOA and also the performance frameworks set by the government, creating wasted effort.

Clearly KPIs and performance frameworks do not connect up at organisational, local and national levels. The organisation and presentation of financial and performance data can take a number of forms, depending on whether it is intended to inform the delivery of an activity, or to inform the management of the organisation, or to inform an external agency. For example, corporate financial data was not always recognised by service leads, and national performance reporting does not always reflect local reality. Is this best use of resources or conducive to a focus on outcomes?

This indicates that there is a major challenge for local partners in operationalising their SOA, not least the need for Scottish Government to create space for that task by clearing away reporting burdens which are not outcome focused, and by helping local partners to better align those which are. SOAs should focus on interventions that local teams feel are important: for example, focusing on something as simple as the number of people supported to return to independence after coming into the system with acute needs.

Overall: there is a **lack of an integrated, universal performance reporting framework for health and social care that measures the right interventions and that would really drive joint working with a focus on outcomes.**

Strengthening these barriers around performance management are **difficulties with systems, and in particular, the lack of a common ICT infrastructure and system across both health and social care.** For example, single shared assessments are in place across local authorities and health boards, but the ICT systems are not there to back this up. Some form of technical integration would be a huge step forward to boost partnership working. If such

technical integration is considered too complex, (and there are legitimate doubts over the effectiveness and deliverability of such projects), then protocols on sharing data and information would be a major step forward.

The barrier of allocating money and budgets was raised. Although it is generally agreed that promoting independence with increased low level support provided in the community is the way to improve outcomes for older people, **the money is not following the policy**. There are insufficient resource transfers from acute health care to social care and community care. The funding maps in Section Four of this report have demonstrated this point at a high level.

Money is still concentrated in the healthcare system, and in particular in acute care, whereas the government's aim is that more patients are increasingly being supported in the community and at home. Instead money needs to follow the patient. For example, service managers agreed that re-ablement services need to be increased, but there has been no transfer of budgets from NHS to social care to fund this. On the local level teams can try to get round budgetary difficulties by aligning services and working practically and closely together to get the best possible results for the money available. However, a significant improvement in outcomes is going to require a more integrated resource allocation process, which moves money into the right places to achieve the best outcomes.

This is clearly difficult: **there still have to be acute services available for people who need them**. Public support for their local hospitals and emergency services makes shifting funding streams from reactive to preventive care very difficult politically. Furthermore, there has to be an element of double funding in one sense for those people who are not receiving low level support and still need acute care, while increasing levels of support come on stream and reduce the need for that acute care. It is much easier therefore to shift resources using new money such as the Change Fund, rather than shifting existing mainstream budgets. However, the whole point of the Change Fund is to lever mainstream budgets and the opportunity to do so should not be lost.

Another barrier that prevents the right funding decisions being made is **the issue of evidencing that low level preventative support can achieve better outcomes**. Measuring the effectiveness of services in this sphere is difficult. For example, community preventative services such as delivering food shopping can support older people to continue to live in their homes, and have the added benefit of alleviating the isolation of vulnerable residents and providing regular monitoring of their wellbeing. It is assumed that isolation of elderly and vulnerable people can lead to accidents in the home and an increased rate of emergency hospital admission, while projects such as delivery of food shopping can help forestall this. But how can this be proven? Health and social care is a complex field – many different organisations have to work together to achieve outcomes, and isolating the contribution of any particular organisation or project is very difficult.

### The way forward

A more strategic, integrated approach to performance management and resource allocation systems across health and social care is required. If we are to see the shift in resources required from acute care to low level preventative support that promotes independence, then the issue of aligning those resources to performance in the delivery of the outcomes that we want to see improve is key. This has to be done jointly to promote real partnership working and integration of the health and social care system.

# 6 Conclusions and next steps

## Conclusions

The project has identified a strong foundation for the development of outcome budgeting in the Scottish public sector and has assisted in developing understanding of the practicalities of its implementation at a local level. The SOA has provided a good starting point for this work. All stakeholders agree that a focus on outcomes is important and apply this, so far as possible, in their day to day work.

However, there are clearly some barriers to an outcomes approach being fully implemented.

Stage One identified two key barriers preventing the sector from planning and budgeting on the basis of outcomes:

- Some refinement is required to the identification and measurement of outcomes. We found it difficult to map a relationship from budget to outcome. It is easy to show the budget structure at the bottom and the outcomes at the top of a funding map. However, there are generally not the KPIs in place to demonstrate whether one is achieving the other. CPPs should be able to map their delivery of an outcome for outcome budgeting to work and in order to do this, understand how pooled spend drives outcomes and the accountability for this within the different levels of the Partnership.
- It is difficult to identify how resources are used to deliver outcomes: in particular, it is hard to identify and cost the unit costs of discrete activities. This makes it hard to assess the role of different activities in achieving outcomes.

Despite these barriers, Stage Two found a high level of consensus that in order to achieve key outcomes a greater focus on partnership working, aligned with early intervention and prevention activities, is required. The role of the CPP in making decisions on priority outcomes is an important foundation for this.

Resource shifts are required from reactive services to preventative services, and from much mainstream service delivery to community and partnership based service delivery.

However, the Stage One funding maps did not demonstrate a consequent transformational change in how resources are used. Instead the opposite is taking place: discretionary, early intervention, preventative and partnership activities are often the first being cut in the difficult financial climate.

This difficulty in delivering the required resource shifts is not surprising due to several further local and national barriers identified in Stage Two:

- The evidence that proves that these kinds of intervention are successful is often 'soft' rather than 'hard'. This is not surprising, given the inability already discussed to map relationships between activity and outcomes. Establishing cause and effect is difficult, particularly given the time lag present in some areas. The data and process are not yet systematic enough to prove that these are interventions that really work.
- There are local and national political barriers to a more integrated approach. Politicians often prefer to prioritise easily identifiable inputs and outputs such as class sizes and numbers of homecare hours provided, rather than focus on the more complicated challenge of outcomes.
- Performance management can be too complicated. There are often too many performance targets, caused by the fact that there are too many performance frameworks required by different government departments or different teams within government departments, distracting frontline workers from focusing on outcomes.
- Local public opinion favours local schools and hospitals, which makes it difficult to rationalize premises so as to release resources to move into prevention. Resource shifts therefore require double funding so that schools and hospitals do not miss out; this requires significant extra investment.

Ultimately, there are not the systems in place for politicians and organisations to come together and look at the whole of public spending in an area in the round, assessing what works across the agenda and across partners, and choosing to fund accordingly. Often local practitioners can make partnership working work locally, but budget and resource allocation structures are lagging behind local practice.

## Recommendations

It has become clear during the course of this review that the term 'outcome budgeting' would be better replaced with the term 'outcome planning'. This would imply a broader approach encompassing planning, performance management and resource allocation. It would encourage a focus on working back from the outcome, to determine how it can best be achieved, not working forward from the pre-existing organisational model.

A consistently applied and mainstreamed outcome planning framework could help to address some of these issues.

It would aim to:

- Define a set of outcomes that clearly express partners' priorities and the needs of the community;
- Identify the key activities that help deliver the outcomes and can be clearly measured;
- Identify the resources (e.g. staff, skills, equipment, buildings, funding) required to deliver the activities;
- Identify the resources actually available and plan and prioritise their use in the activities which will help deliver the outcomes;
- Mainstream evaluation and causation analysis, creating a more rigorous approach in examining public spending, and building a clearer message of the kinds of activities that work; and
- Create the opportunity for politicians, senior managers and organisations to come together and make resource allocations based on what works.

Putting in place this kind of framework could then lead to more radical reform, looking at integrated teams, joint performance management frameworks, pooled budgets and joined up resource allocation systems. This process could, if needed, also support organisational restructuring if the current system is not configured to achieve outcomes.

Any new framework must replace existing bureaucracy rather than add to it: for example, cutting down existing performance management frameworks to focus on outcomes. It should also emphasise the importance of effective working relationships within and between organisations, recognising that successful outcomes planning is not just a technical challenge, but is also dependent on positive behavioural and environmental factors as well.

Setting KPIs and outcomes alone provides no guarantee that money will follow in order to fund the activity that will achieve that outcome or KPI. Resources have to be allocated to match the construction of the outcome performance framework to really drive change. For example, if we agree that the 16 community care outcomes are the key targets for improving care services for older people in Scotland, then we have to establish where the money needs to be to achieve those outcomes.

## Next steps

The key question remains: how do we operationalise an outcome focus?

This is potentially a huge agenda that will require significant local and national change in processes, systems, roles, culture and ways of working. It will need to be a long term project, supported by a comprehensive change management and stakeholder engagement strategy.

Consequently we would suggest that more work needs to be done on a local level with volunteer CPPs in order to develop the case for some of the conclusions.

Any such work should operate within the following parameters:

1. It should **support the localisation and integration of public services**. Partnership working is clearly critical to achieving outcomes, but it is at a delicate point in the current financial situation. Further work must continue to build the case for and promote greater integration of services, ensuring that the progress made in recent years is not reversed, and that local partners can go faster and deeper than ever before to drive outcome improvement. To do this any future project must continue to:
  - a. work with a range of organisations in a specified local area;
  - b. prove the benefits of partnership working through better alignment of activity to outcomes and stronger evaluation; and
  - c. seek to build on current partnership arrangements to give more force and weight to outcome planning, performance measurement and resource allocation.
2. It should **support the shift to prevention and early intervention**. Discretionary and preventative services are also at risk in the current financial climate. Any further work must continue to emphasise the importance of these types of activity and seek to demonstrate how it can drive improved outcomes through stronger evaluation. Most importantly, further work should focus on integrating the results of any evaluation into decision making and resource allocation processes.
3. It should **be more focused on understanding activities and the use of resources**. This project only got so far in understanding whether and how resources and budgets are used to drive outcome performance. The focus groups revealed that significantly more can be done in this area to plan the delivery of outcomes, delve into the detail and understand the particular activities undertaken and how they impact on outcome performance. Lean analysis, systems thinking and process mapping may all provide useful tools here for future work looking at how outcomes are achieved, supporting better outcome planning. Strategic, top down approaches need to be informed by operational, bottom up approaches ('what works') in order to acquire a view of the whole system.
4. It should **support CPPs to find more effective ways to deliver outcomes at lower cost**. The crucial element of value for money cannot be neglected by any future work. The focus must be on streamlining current processes and making existing bureaucracy work better. Emphasis on partnership working and early intervention must be couched in financial terms as well as quality terms: these methods will deliver improved outcomes at a lower cost. Future work should aim to generate budget options which change resource allocations to achieve better outcomes at lower cost. This could be done by seeking to align activity to outcomes and then evaluating the impact of specific activities in delivering outcomes. Process mapping, lean analysis and focus groups with frontline professionals will also help in looking at how delivery of outcomes can be improved and generating new ways of working.
5. It should **support CPPs to address the challenge of very local concentrations of interlinked negative outcomes**. Two of the initial aims of this project were to look at outcomes and resource allocation on a sub-area level and to apportion spending on households experiencing deprivation. This proved impossible during the timescales required but any further work should aim to look at this critical issue.
6. It should **apply the learning acquired from the project to date on project management and partner engagement**. The right people have to be identified and involved at the earliest stage, including service managers; the purpose and aims of the project must be clearly communicated, and allowance must be given when planning the timescales of any future work that this is a difficult and challenging agenda. Any participating CPPs need to commit to focusing on the project, not handling it at the margins of day to day business.

It may be that several workstreams would be required to ensure that all these parameters can all be addressed.

These workstreams could focus on certain aspects of the agenda identified, for example:

- Outcome planning and alignment of activity to outcomes
- Performance management

- Evaluation and causation analysis
- Partnership working
- Decision making on resource allocation

One workstream could look at all of these issues within one thematic area within one or two CPPs. The aim would be to demonstrate how outcome planning and budgeting should work in practice, and can deliver real value to CPPs in delivering outcomes at lower cost.

Another workstream could look at these issues on a very local level within one CPP sub-area with issues of multiple deprivation and disadvantage.

During the course of this review it has become clear that a golden opportunity is emerging to pursue this agenda. A convergence of opinion is taking place across the public sector – at strategic and operational, local and national levels – that a stronger focus on outcomes is the way forward. This is demonstrated by the recent recommendations of the Christie Commission, and in particular:

“The Commission recommends all public service providers are required to:

- demonstrate clearly how their expenditure is driving the achievement of better outcomes through coordinated, collaborative working; and
- undertake regular benchmarking against comparable services and report publicly and annually on outcomes achieved and financial performance.”

However, this opportunity will only continue to exist if we can demonstrate the practical value of an outcomes focus. Any future work undertaken has to deliver measurable change and benefits on the ground. Continuing to map and plan activity will no longer be enough. Results have to be delivered.

This project has hopefully laid the foundations for the delivery of such results, but we would recommend that the opportunity has to be seized quickly, with even sharper focus and commitment going forward, in order to capitalise on the current opportunity.

This document is confidential and prepared solely for your information. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom.

Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.

**Member of Deloitte Touche Tohmatsu Limited**