



# INSPIRING IMPACT NI



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# Embracing Change

**Public sector readiness for  
outcomes-based funding**

A scoping study and  
discussion paper

**ceni**   
supporting and measuring change

JUNE 2016



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**Communities**  
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# What is Inspiring Impact?

Inspiring Impact is a movement which promotes good impact practice as an organisation wide approach to demonstrating worth. The Building Change Trust (BCT) is the Northern Ireland partner on the UK Inspiring Impact board. BCT commissioned Community Evaluation Northern Ireland (CENI) to deliver the Inspiring Impact Northern Ireland programme (IINI) as a strategic partner. BCT fund the programme as a way to support organisations and the sector to become more focused on their impact.

Inspiring Impact offers a range of bespoke tools and supports to help the voluntary, community and social enterprise (VCSE) sector and funders reflect on their current practice and transform how they generate and demonstrate impact.

Good impact practice is a reflective and strategic planning process that challenges you to ask critical questions about how you create and demonstrate the impact of your work. It is an essential foundation for outcomes measurement whatever model is adopted.

Good impact practice is at the heart of effectively pursuing your goals. Impact means the difference you make and impact practice is the activities you do to focus on your impact. It can include planning your impact, deciding how to measure it, collecting information about it, making sense of that information, and communicating and learning from it.

**PHASE 1** of the programme had three main components outlined in the diagram below:

## PUBLIC SECTOR

IINI supported five public sector funders to run demonstration projects applying impact practice to a funded programme.

Additionally, IINI worked with partners to develop and embed impact practice in two of the five funding strands in the DSD's Regional Infrastructure Support Programme.

## VCSE SECTORS

IINI enabled thirteen VCSE network organisations to develop impact readiness action plans with 224 of their member groups.

IINI tailored and tested the employability outcome framework, Journey to Employment, with 6 organisations through the Northern Ireland NEEs Strategy Forum.

## SHARING, LEARNING & PRACTICE

Reports, case studies and events brought together local and international organisations, funders and VCSE to share experiences and learning around effective ways of working to better demonstrate impact.

**PHASE 2** is ongoing with a focus on embedding practice, developing resources and influencing change. The Department for Social Development (now Department for Communities) provided support for the following aspects:

- **Expand the availability of web resources and guidance to apply impact practice**
- **Further develop the outcomes framework for VCU pilots within RISP**
- **Widen the VCSE sectors, funders, and practitioners understanding of good impact practice**
- **Identify and assist in addressing the barriers to delivering outcomes focused funding in the public sector**



# Foreword

Inspiring Impact is one of five strategic themes that the Building Change Trust has been supporting in Northern Ireland in its work to support change and development within voluntary, community and social enterprise (VCSE) organisations.

The focus of Inspiring Impact is to support development of impact practice, a way of working that helps organisations focus on impact or the difference their work is making. In 2015, as part of this work, five statutory funders completed demonstration projects to apply impact practice to a funded programme.

It was run by Inspiring Impact Northern Ireland through our strategic partner, Community Evaluation Northern Ireland, and the project evaluation reported positive outcomes and developments. Although notable progress has been achieved through the Addressing Bureaucracy project being led by the Department for Communities there remain specific strategic and operational challenges to introducing outcomes-based approaches.

**These include:**

- **the emphasis on accountability and compliance;**
- **the disruptive link between outcomes assessment and project monitoring;**
- **the challenge of change in a sector with well-established procedural and reporting frameworks; and**
- **the need for new skills in impact planning, assessing and analysis.** <sup>1</sup>

While the Public sector has a critical role to play in improving practice, leadership across the VCSE sector is equally significant and there is an element of joint responsibility for shifting the dial and transitioning into new ways of working.

**Maurice Meehan**

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Director, Building Change Trust

One year on and Northern Ireland is on the brink of its third Programme for Government which is framed in terms of societal wellbeing and outcomes – through tackling disadvantage, and driving economic growth.

It is clear that there is a commitment to improving and transforming across the public sector but how is that translating to practice?

How are departments preparing for the effect of an outcomes-based approach on programme design, funding decisions and governance? What are voluntary and community organisations doing to adapt to potential changes in funding and appraisal? Drawing on commissioned interviews, a discussion event and a review of relevant literature, this study finds that whilst there is interest and commitment to adapt, there is some confusion, concern and lack of clarity about outcomes-based government, funding and accountability. Preparations are at a very early stage and many players are uncertain as to how best to embrace this new horizon.

While the nature of this scoping study was limited and merely skims the surface, Inspiring Impact Northern Ireland present this short paper as a platform from which to prompt discussion and informed debate about how the current opportunities and challenges can be addressed so that clarity, certainty and confidence can emerge.

**Margaret Henry**

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Director, Building Change Trust

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<sup>1</sup> Inspiring Impact NI, May 2015 pg17

# Executive Summary

Inspiring Impact Northern Ireland and Community Evaluation Northern Ireland commissioned this discussion paper to explore the practical challenges facing public sector funders in particular when introducing outcomes-based funding and to make recommendations about what might help with their transition. This adds to the learning from earlier IINI demonstration projects with both public sector funders and VCSE organisations and aims to build on existing platforms and provide positive guidance on the way forward.

The Programme for Government (PfG) sets out how the Northern Ireland Executive will deliver their priorities. In a change from previous programmes, this third PfG is underpinned by an outcomes-based approach. This approach proposes to draw on the techniques of Outcomes Based Accountability or OBA™ methodology.

An outcomes-based system of government, if properly implemented can bring considerable advantages in terms of improving decision making, collaboration, resource allocation and demonstrating public benefit. However, implementing an outcomes-based approach is challenging particularly if the landscape into which it is being introduced remains governed by the same instruments of guidance which will take time to streamline.

At the same time IINI has made good progress in terms of stimulating interest on impact practice amongst public funders, particularly through the Public Sector Group. This is reinforced through development of practical guidance such as Measuring Up! and the dissemination of the learning from the initial pilot demonstration projects. In addition, much positive

work is being done through government initiatives such as the addressing bureaucracy project and the delivering social change programme.

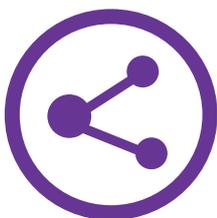
Primary among this is a ***Code of Practice For Reducing Bureaucracy in Grant Funding to The Voluntary and Community Sector*** developed by government and the VCSE.<sup>2</sup> The Code sets out a number of principles for more effective funding that apply to revenue grant making across government. The Code does not apply to capital grants, procurement or to EU funding. Essentially it aims to embed a risk based approach to the administration of revenue grant funding to help streamline individual funders' procedures, achieve greater consistency and reduce duplication of effort. One of the key drivers for Addressing Bureaucracy was to enable a move to outcome focused funding.

While it was generally acknowledged amongst respondents that moving to an outcome-based PfG would affect the allocation and administration of funding to the VCSE sectors, there was a need for further clarity around what an outcomes focus would mean in practice or how it would fit into current funding allocation and accounting systems.

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<sup>2</sup> DSD 2013 and 2015.

This study identified apprehensions across three main areas:



## 1 Operationalising an outcomes approach

- **Oversimplification** - the potential application of a standardised approach to outcomes measurement may lead to over-simplification of some complex social issues; over reliance on existing quantitative data and; possible crowding out of qualitative evidence of impact.
- **Mismatched timelines** - mismatch between the time line for the delivery of PfG outcomes and most funding cycles, which are significantly shorter.
- **Designing outcomes-focussed programmes** - how the outcomes in the PfG would be translated into departmental programmes and then onwards into actions or projects.



## 2 Fit with existing governance systems

- **Resourcing outcomes-based programmes** - as partnership working across government will be required to deliver PfG outcomes it follows that there will be a need to move towards collaborative, inter-departmental programming and associated budgeting.
- **Funding assessment and compliance** - the operation of existing systems for assessment and appraisal coupled with the requirement for SMART targets could act as a barrier to planning outcomes through co-design and other approaches.
- **Barriers to innovation** - the need to make programmes that are designed around outcomes, fit into compliance boxes designed around activities and finance, could inhibit the very innovation that the PfG seeks to introduce.
- **Procurement** - can the rules for public procurement and commissioning incorporate the desire for more collaborative co-design processes and address issues of full cost recovery?
- **Monitoring and reporting** - current systems are focussed on management rather than outcomes. There is tension between the PfG's desire for an outcomes focus and the machinery of public service delivery which is based on financial regulation and compliance



### 3 Confidence in and motivation for an outcomes approach

Whilst these issues are real and the concerns are understandable there is also evidence of a real appetite for change across public sector respondents, which can be harnessed to build confidence and motivate people to embrace an outcomes approach. This can be addressed across three elements:

#### A shared vision and buy in

An outcomes-based approach has buy-in from every part of the public sector and its VCSE partners

#### A shared understanding of an outcomes-based approach

The language of outcomes becomes more consistent; everyone means the same thing when they use the same words.

#### Capacity to deliver, and account against, outcomes-based government

Everyone - decision makers, designers, procurement managers and delivery partners - understand their roles in delivering outcomes-based government and funding programmes.

People have the appropriate skills and reassurance that systems can be adjusted whilst remaining true to requirements from HM Treasury.

## Recommendations

The report concludes that while a gap still exists between the vision for an outcomes-based approach and its potential operational delivery - given the right motivation, leadership and commitment by both public sector and VCSE sector, then there is considerable potential to address this gap. Below are the key recommendations:



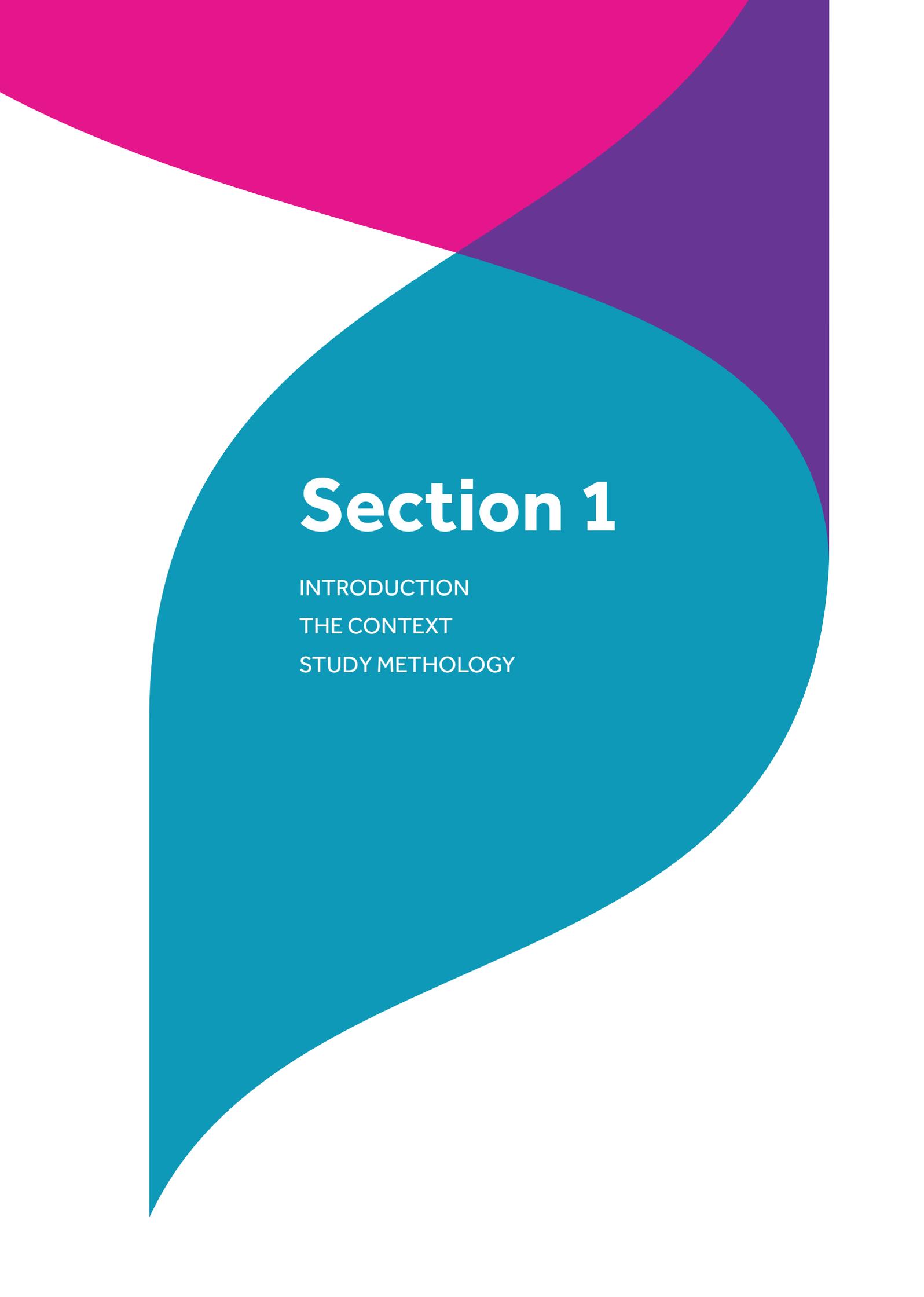
Help people embrace the concepts, develop a shared understanding and language about outcomes, and gain skills to ready themselves, their department, unit or section.



Examine the systems used to allocate and account for public expenditure and give guidance to ensure they fit to outcomes-based approaches.



Test new approaches and systems through demonstration projects and share learning.



# Section 1

INTRODUCTION

THE CONTEXT

STUDY METHODOLOGY

# Section 1

## Introduction

The drivers of this discussion document and recent conversations around impact and outcomes include:

- A Programme for Government (PfG) 2016 with outcomes & wellbeing at its heart and modeled along the lines of the Scottish National Performance Framework, Scotland Performs.
- The adoption by a number of publically funded programmes of impact practice and Outcomes Based Accountability™ (OBA).
- Testing of Inspiring Impact's Measuring Up! across a range of public funders as a means of laying the foundations and preparing for outcomes focused programming.
- Local government re-organisation and decentralization of community planning.
- Restructuring of Northern Ireland government departments.
- Continued reduction in departmental budgets and efficiency measures.
- Recent reports from the Northern Ireland Audit Office, Department for Social Development, and Inspiring Impact Northern Ireland.
- Emerging models for programme design and funding, including co-design, collaborative working and social bonds.

Together, these create an unprecedented opportunity to transform the way government delivers public services and the benefits created for communities in Northern Ireland.

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<sup>3</sup> Ibid, May 2015, p8; Inspiring Impact 2013b, p2

**Used well, an outcomes-based system of government, where the outcomes cycle runs from government aspirations and goals through programme design and funding allocation to accounting, can:**

- **Create more robust decision making.**
- **Improve resource allocation.**
- **Deliver value for money.**
- **Demonstrate public benefit.**
- **Identify the most effective way to make positive change.**
- **Leverage resources.**
- **Reduce bureaucracy.**

However, introducing high level outcomes to the Programme for Government will have little impact unless those outcomes are translated, understood and operationalised throughout programme design, delivery and accountability.

In its work with public sector funders and funding recipients, Inspiring Impact Northern Ireland has helped build understanding and develop skills in impact practice. The application of the Measuring Up! assessment tool in particular has helped identify the readiness of existing funding programmes to support an outcome based delivery.

Inspiring Impact Northern Ireland and Community Evaluation Northern Ireland commissioned this discussion paper to explore the practical challenges facing public sector funders when introducing outcomes-based funding and to make recommendations about what needs to happen so they might make the transition successfully.

# The context: Change in an unchanged landscape

**The Programme for Government (PfG)** sets out how the Northern Ireland Executive will deliver their priorities. In a change from previous programmes, this third PfG is underpinned by an outcomes-based approach. This approach proposes to draw on the techniques of Outcomes Based Accountability or OBA™ methodology.

At its core, an outcomes-based approach requires government Ministers, officials, and those in receipt of public funds, to consider not just what they are doing but, more fundamentally, what difference they intend to make and the extent to which people are better off as a result.

This new approach reflects changes elsewhere in the UK. In particular, it draws on the experience in Scotland where the Scottish Government moved to an outcomes-based approach.



Figure 2. Scottish Government's National Performance Framework<sup>4</sup>

Within this they set Purpose targets, informed by the concept of wellbeing, on which was based a **National Performance Framework**. This is reported on through Scotland Performs.<sup>5</sup>

## Government guidance

While the third Programme for Government may be a considerably new approach for Northern Ireland, the landscape into which it is being introduced remains governed by the same instruments of guidance.

**The Northern Ireland Guide to Economic Appraisal and Evaluation (NIGEAE)**<sup>6</sup> is the primary guide for Northern Ireland public servants on the appraisal, evaluation, approval and management of programmes and projects. It is a supplement to HM Treasury's guidelines, such as the 'Green Book' and applies to every proposal that requires public expenditure. Economic appraisals are a key feature

and NIGEAE sets out what they should cover, such as costs, benefits, social and economic impacts, and impact on the private and voluntary sectors as appropriate. It also gives guidance on keeping assessment proportionate and appropriate to the level of expenditure.

The NIGEAE includes guidance on objectives, outcomes and targets and a section on evaluation. This focuses on comparisons of outturns against estimates; how outturns can be measured; definition of the counterfactual; assessment of the cost effectiveness; and the lessons learned.

<sup>4</sup>Scottish Government, September 2008 pg25; <sup>5</sup>Scottish Government, 2007, 2011 & 2016; <sup>6</sup>Department of Finance & Personnel, 2003

**Managing Public Money NI<sup>7</sup> (MPMNI)** is a guide for the public sector that sets out the principles for handling public money and the process by which central government expenditure is authorised and accounted for, including transactions that require specific Department of Finance approval.

MPMNI describes the roles and responsibilities of people and bodies including Accounting Officers and the Public Accounts Committee. It also gives detailed guidance on issues such as engaging with partners and fees, charges and checklists for setting up new services.

## Review of recent initiatives

Pressure on public spending has resulted in reviews to reduce the burden of bureaucracy whilst maintaining accountability.

Both the NI Audit Office and the Public Accounts Committee conducted reviews which concluded that disproportionate bureaucracy can increase costs, reduce value for money and distract from a focus on outcomes.

Addressing Bureaucracy subsequently set forth the Department for Social Development's (DSD's)

recommendations for addressing the issue and lead to the publication of the Code of Practice For Reducing Bureaucracy in Grant Funding to The Voluntary and Community Sector developed by government and the VCSE. The Code sets out a number of principles for more effective funding that apply to revenue grant making across government. The Code does not apply to capital grants, procurement or to EU funding. A recent Dear Accounting Officer letter on the Code and Dear Finance Director letter on streamlining appraisals largely re-stated relevant sections in the NIGEAE.

Northern Ireland is the first region to have its system of government reviewed by the Organisation for Economic Co-operation and Development. The OECD report is due to be published in 2016 and will address three areas:

- **strategic approaches;**
- **operational delivery; and**
- **engagement with people.**

It is not known if the review will cover the challenges faced in operating an outcomes-based funding model.

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<sup>7</sup>Department of Finance and Personnel, 2008; <sup>8</sup>NIAO, 2010 and PAC, 2012; <sup>9</sup>DSD 2013 and 2015.

# Study methodology

## This study sought to:

- Assess the outcome readiness of funding systems; and
- Identify the key practical challenges to implementing outcomes-based funding;

## Information came from three sources:

### 1. A review of reports and papers

These are listed in the references, and include government procedural guides, reviews of public sector bureaucracy and reports from outcomes preparation work with five statutory sector funders.

### 2. Structured interviews

Twelve interviews with officials from Northern Ireland departments (pre-departmental restructure):

- Department of Finance and Personnel
- Office of the First Minister and deputy First Minister
- Department for Culture, Arts and Leisure
- Department for Social Development
- Department of Agriculture and Rural Development
- Department of Justice

## Northern Ireland government agencies:

- Northern Ireland Statistics and Research Agency (NISRA)
- Strategic Investment Board

## Local government

- Belfast City Council

## The community and voluntary sector

- Northern Ireland Council for Voluntary Action

**Appendix 2:** Interviewees

**Appendix 4:** Interview structure

### 3. A discussion event

In March 2016 Outcomes-focused Funding: A fresh start? brought together representatives from eight government departments and four non-departmental public bodies.

**Appendix 3:** 'Outcomes-focused Funding: A fresh start?' attendees

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<sup>10</sup>Inspiring Impact, 2014; <sup>11</sup>Community Evaluation NI, 2013

## Definitions

**Inputs:** The resources applied / invested to undertake activities.

**Outputs:** The things done or made by applying the inputs.

**Outcomes:** The difference caused by inputs, activities and outputs.

**Impact:** The long term effect of making a difference.

**Outcomes-based approaches** to government, programming or funding share the principle of shaping public sector goals, programmes, resourcing and accountability around the delivery of positive outcomes for people.

**Measuring Up!**<sup>10</sup> is a step by step approach to assessing readiness for outcomes measurement and creating an action plan for proper preparation. Developed by Inspiring Impact UK it has been tested with a range of statutory funders and Voluntary, Community & Social Enterprise organisations in Northern Ireland as part of the Inspiring Impact NI programme.

**Measuring Change**<sup>11</sup> is a tool for capturing difficult to measure qualitative outcomes. DARD's Rural Community Development Support Service, the Big Lottery Fund, Belfast City Council and others have used Measuring Change for projects and programmes with support from Community Evaluation Northern Ireland (CENI).

**Outcomes Based Accountability™** OBA is a trademarked tool developed by the American writer Mark Friedman. He defines outcomes in a very particular way to mean the wellbeing of whole populations, such as all the people of Northern Ireland, or all women. Outcomes thus cannot be delivered without partnership working because they cannot be created by one department working alone. **Population Accountability** is reported using quantitative **Outcome Indicators**, often drawn from national data sets. Delivery programmes are held to account for only the people and communities they serve. This is called **Performance Accountability** and is done through **Performance Measures** which show the particular programme's contribution to outcomes.

# Section 2

## THE ISSUES RAISED

1. OPERATIONALISING THE OUTCOMES APPROACH
2. FIT WITH EXISTING GOVERNANCE SYSTEMS
3. CONFIDENCE IN AND MOTIVATION FOR AN OUTCOMES APPROACH

# Section 2

## The issues raised

Across the interviews and the wider consultation, participants recognised that an outcome-based PfG would probably affect the allocation and administration of funding to the VCSE sectors. They also welcomed recent work on addressing bureaucracy and developing proportionality. However, there was little clarity around what an outcomes focus would mean in practice or how it would fit into current funding allocation and accounting systems.

Participants also questioned the suitability of outcome based approaches to every sphere of public activity and were concerned that the OBA™ methodology would be universally imposed, irrespective of the complexity or context of the issue at hand.

Here we simplify the complex web of concerns raised and present them under three headings to give easier access to the core issues.

- **Operationalising the outcomes approach**
- **Fit with existing governance systems**
- **Confidence and motivation for an outcomes approach**



### 1 Operationalising the outcomes approach

#### Over-simplification

Interviewees raised concerns about the potential universal application of the OBA™ methodology. In particular they raised questions about:

- **the blanket application across all programmes and funding;**
- **over-simplification of complex social issues;**
- **over-reliance on existing data sources & data collection mechanisms; and**
- **crowding out of qualitative evidence of impact.**

To some degree these concerns arise from a lack of knowledge confusion between outcome indicators for the PfG and performance measures for programmes.

In OBA™, performance measurement is achieved through three simple questions: How much did we do? How well did we do it? Is anyone better off? While the approach appears simplistic, using both quantitative and qualitative methodologies is critical in answering these questions and painting a fuller picture.

The ends	Outcomes. Changes in wellbeing for whole populations	Population accountability	Outcome indicators
The means	Programmes making a contribution to outcomes	Performance accountability	Performance measures

Figure 3. The OBA™ model

## Mismatched time lines

Another concern was the mismatch between the time line for the delivery of PfG outcomes and most funding cycles, which are significantly shorter. Further, since entrenched and complex social issues may take a generation to address, it can be difficult to quantify interim outcomes and pin them to specific years in order to show movement within the life of the PfG. This issue of timing also arose in relation to programme monitoring, which is addressed in the next section.



## 2 Fit with existing governance systems

If the first challenge to operationalising an outcomes-based PfG is the capacity to design outcome-based programmes, the next is how to adjust existing systems for allocating, monitoring and accounting/evaluating for programme expenditure.

### Resourcing outcomes-based programmes

Population outcomes are broad and take many partners to address effectively. As partnership working is required it follows that there will be movement towards collaborative, inter-departmental programming and associated budgeting. Study participants recognised this and felt further guidance would be needed to institute inter-departmental budgeting.

### Funding assessment and compliance

Given their link to the wider UK government framework, neither the NIGEAE nor MMPNI are likely to change radically in the foreseeable future. The emphasis they place on business cases and ten-step economic appraisals, along with the recent Dear Accounting Officer and Dear Finance Director letters on streamlining and proportionality, thus remain the bases for assessment and accounting systems.

**Two views emerged as to how the Northern Ireland public funding system needed to respond in the context of outcomes-based approaches.**

## Designing outcome-focussed programmes

Participants were unclear about how outcomes in the PfG would be translated into departmental programmes and then onwards into actions or projects. There is a large gap in understanding and learning around designing programmes that:

- contribute to population level outcomes;
- address PfG outcomes by using the resources of more than one department; and
- engage stakeholders and delivery partners in planning for outcomes through co-design

### a. Work within

One was that the NIGEAE permits sufficient flexibility to enable outcome based funding. As evidence, respondents pointed to high level programmes within Delivering Social Change which operate within an OBA™ framework. And to the former Department for Employment and Learning which asks applicants to the European Social Fund to include an economic appraisal as part of the process.

### b. Change

The other view was that the NIGEAE would have to be amended to enable delivery of the outcomes in the Programme for Government. As an example proponents cited, Step 3 of the economic appraisal guidance. This says that initial objectives should be stated broadly enough that a wide range of options to meet them can be identified, but goes on to require that they be developed in more specific detail, ***“including targets that are SMART - specific, measurable, achievable, relevant and time-dependent.”***

## SMART targets

This absolute requirement for SMART targets is seen as a barrier to designing for results through co-design and other approaches.

As an example, during the IINI Public Sector Group demonstration project, the conflict between co-designing outcome based programmes and subjecting them to economic appraisal became obvious. The co-design process focussed on impact and enabled all parties to specify and agree the outcomes desired. However, when taking the proposal through the approval system, it was necessary to translate the outcomes into SMART targets. These were targets that had not been agreed during the co-design process, and while they were of some value in monitoring progress, they were of questionable value in measuring the outcomes agreed.

## Financial estimates of outcomes delivered outside the programme period

Study contributors saw the requirement to put a financial value on all aspects of a project when presenting a business case as unhelpful, especially when it came to programmes aimed at addressing entrenched and complex social issues.

If the benefits of a course of action are not expected to appear until the third or fourth cycle of project funding, then it is hard to state, in financial terms, what contribution the necessary precursor changes - in circumstances, systems or attitudes - will be in each particular cycle or year.

Whether of the 'work with in' or 'change' view, participants agreed that proportionality in assessment and accounting was essential to creating the conditions for innovation.

## Barriers to innovation

The need to make programmes that are designed around outcomes fit into compliance boxes designed around activities and finance was seen as frustrating the very innovation that the PfG sought to introduce. The study heard voices calling for a new approach to research and development. They reasoned that without new ways to deliver outcomes there will be no reduction in the intractable inequalities addressed by the PfG. Thus investment in research, development and learning is essential. However, they also felt that experimental projects testing new ways to deliver outcomes would find it difficult to survive the current compliance framework. Such projects may, by definition, be unable to:

- **specify all outcomes at the start;**
- **state when and in which order unknown outcomes might appear;**
- **describe any outcomes except for learning about designing and delivering for outcomes; and**
- **offer learning other than through failing.**

To gain approval, R&D work would need to find wiggle room within the compliance system. Some participants felt that there is scope to work differently and collaboratively to ensure that compliance frameworks do not obstruct innovation and new ways of working. Others did not share their optimism.

## Procurement

**Two issues were raised under this area: co-design and full cost recovery.**

### Co-design

Collaboration and co-design are pre-requisites for creating programmes to deliver PfG outcomes. Commentators recognised that working with partners from other departments will become more common. In Scotland, the National Performance Framework saw government departments dissolved into directorates for government 'responsibilities'. Here, the government has so recently reduced the number of departments from 12 to nine that it is unlikely to make any further change. So there may need to remain 'lead' departments to facilitate commissioning and reporting under the existing departmental system.

Co-design presents particular issues for working with VCSE partners. VCSE organisations bring essential knowledge, networks and skills to the programme design table. Importantly they bring users and user buy-in. Yet VCSE bodies can invest time and intellectual resources working with the public sector to create effective programmes only to see the work put out under a competitive tender or grant application. In addition, big programmes will likely require co-design and delivery by more than one VCSE partner. This will necessitate greater collaboration between VCSE organisations preparing joint tenders, an area in which some felt that the sector needed support.

**Study contributors identified four issues to be addressed in terms of co-design and current procurement systems:**

- **rewarding input to co-design by VCSE consultants;**
- **protecting VCSE intellectual property;**
- **avoiding the break in relationships between co-designers which current procurement entails; and**
- **skilling the VCSE in co-design, intellectual property protection and cost recovery on R&D.**

Both public sector commissioners and the VCSE co-designers need to develop new approaches, systems and skills if co-design is to operate fairly and effectively.

### Pay per outcome and full cost recovery

Under some systems, VCSE organisations receive 'core' funding out of which they deliver agreed projects and cover certain overheads. Overheads are included because funders recognise that without the organisation the projects could not be delivered. They may also be included in recognition of the wider role the organisation has in the social infrastructure.

This study heard some concern that focusing on the delivery of specified, quantified outcomes would move funding to a 'Pay per Outcome' basis. If VCSE partners are paid for outcomes only, then they will need to find other ways to cover their fixed overheads. Under the principle of **full cost recovery** this means adding them to the direct costs for all contracts.

As organisations will not know how many grants or commissions they will secure throughout the year, they are likely to allocate a larger contribution to overheads to early bids as well as across all bids. As a result the cost to the government of securing outcomes through a range of contracts, rather than through core funding, may rise. At the same time, the financial security of the VCSE sector would be shaken and remain shaky until the new system bedded in.

## Monitoring – grant reporting and impact assessing

The study was frequently informed that compliance with current project management and monitoring systems was counterproductive. For example, the practice of quarterly monitoring of programmes aimed at long-term or generational change was viewed as ineffective, if not wasteful. Waste was also seen in the need to report the same work in more than one way to satisfy the different needs of funders, economists and administrators.

It was also noted that evaluation, as set out in the Magenta Book, was heavily couched in economic terms; that current reporting focusses on management rather than outcomes; and that while the Northern Ireland Audit Office has been generally supportive of an outcomes-based approach, the temperature of departmental audit functions had not been gauged.

Clearly there is tension created by a government focussed on outcomes and indicators while the machinery of public service delivery is based on financial regulation and compliance. The latter is the longer established, most familiar and embedded in the UK governance apparatus, hence the earlier PWC study concluded:

***“Flexibility is challenging in a public sector system that generally requires consistency of approach ....proving value for money is likely to remain the primary purpose, supplemented by understanding the difference made and learning ... and it remains that financial control forms the basis of reporting systems”.***<sup>12</sup>

An outcomes-based approach challenges the public sector to move its conceptual foundations and operational systems from activities to outcomes, procedures to results and from risk aversion to learning.

Those who engaged in this study suggested that financial control will remain dominant until there is clearer understanding of how to monitor outcomes. This means putting better outcomes planning at the centre of all programmes. This will make it clear what differences are to be tracked, when and how.

For generational or long term outcomes, logic models or theories of change can help identify interim changes as indicators of movement towards outcomes. And for innovative, R&D projects, outcomes may be framed in terms of measures for learning. By setting out expected changes from the start, outcomes are translated into more familiar looking ‘performance measures’. This may help them find traction in the current monitoring ethos.

By placing outcomes at the centre of the design process, people will also have access to the rationale as well as the tools for focussing on outcomes. This will facilitate the necessary move from prioritising activity, regularity and financial probity to affecting improved wellbeing of the population whilst still applying due diligence.

Whatever outcomes measurement tools are used, it will take concerted leadership and direction to separate the methods and time lines of outcomes delivery from those of grant cycles and so support the operationalisation of outcomes in the Programme for Government.

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<sup>12</sup> Inspiring Impact NI, May 2015, pg 10



### 3 Confidence in and motivation for an outcomes approach

Whilst these issues are real and the concerns are understandable there is also evidence of a real appetite for change across public sector respondents, which could be harnessed to build confidence and motivate people to embrace an outcomes approach. This can be addressed across three elements:

#### **A shared vision and buy in**

Individuals want to feel that if they invest their time and energy in making the shift to outcomes then others can be trusted to do likewise.

Outcomes-based approaches challenge the established decision making and accounting systems, and change is difficult, especially when existing systems are considered to be working well or the nature of the system is outside the control of the operator, as in the case of the Green Book and such directions emanating from GB. Without buy-in from every part of the civil service and VCSE partners, an outcomes-based approach will not do what it says on the tin.

#### **A shared understanding of an outcomes-based approach**

Because the language of outcomes is not used consistently across organisations or methodologies, people need to be sure that everyone means the same thing when they use the same words.

Clarity is lost when different systems use the same terms, such as outcomes, accountability and performance measures, to mean very different things. Without a shared language, clear communication between colleagues, funders and others becomes increasingly difficult as the narrative on outcomes evolves.

#### **Capacity to deliver, and account against, outcomes-based government**

People want to be assured that everyone - politicians, policy makers, programme designers, procurement managers and service delivery partners - understands their particular and different roles in delivering outcomes-based government and funding programmes.

There needs to be a prevailing sense of trust that the necessary skills are in place and that the systems for monitoring and accounting can be swiftly and suitably adjusted whilst remaining rigorous and true to requirements from HM Treasury.

# Section 3

CONCLUSIONS / INFERENCES

# Section 3

## Conclusions / Inferences

### Preparation is everything

While the Programme for Government may be framed in outcomes terms, and some government departments are training statisticians and researchers in the OBA™ approach, there is a need for wider explanation and understanding of the concept of outcomes. Additionally there will be a need to share good practice examples that can support people to effectively deliver on the commitment to outcomes.

There has been notable progress and there is some fertile ground on which to develop better ways of working. There is also plenty to be done within departments and across the sector to address confusion and build understanding & knowledge and plug skills gaps as well as adjust systems for outcome design, delivery and monitoring.

A gap currently exists between the vision for an outcomes-based approach and its practical delivery. This is expressed as uncertainty in some quarters as to what an outcomes-based approach means in practice and how it relates to operational programmes. This has three main reasons:

### People need support to implement change

- **Key public & VCSE sector stakeholders need greater opportunity to build their understanding of what needs to be done to prepare for a new approach**
- **Programme designers need greater clarity and understanding of outcomes-based approaches and methodologies.**
- **Skills gaps in relation to outcomes-based programme design, decision making and management need to be plugged**

### Systems need adjustment for new ways of working

- **There are the usual stresses caused by introducing new components to existing systems without testing to see what adaptations are needed to ensure continuous effective operation.**
- **There is little guidance about how to assess proposals according to outcomes to be delivered rather than through economic appraisal.**
- **Similarly there is limited guidance about how to procure services in a way that will help to deliver PfG outcomes.**
- **Programmes and projects will need to be able to articulate their role in outcome delivery other than through quantitative performance measurement.**
- **Finally, there is no new guidance about how to align the monitoring of activities and expenditure with reporting on outcomes.**

### **The approach is untested**

- **There is little sharing of learning from pilot projects or elsewhere about how to adapt the current compliance systems for appraisal, procurement, funding, monitoring and accounting to an outcomes-based approach.**
- **There is a lack of trust, as would be expected in any new approach until it proves itself across a range of contexts.**

There appears, understandably, to be greater buy-in at the 'Population Accountability' & 'National Indicators' level than amongst programme designers and front line services who place greater faith in more nuanced approaches.

At this level people want to see greater acknowledgment that some populations change at a pace not reflected by general population change, that social issues intertwine, and sub-groups key to the solution can be small or hard to reach, and thus that changes to such circumstances will not appear in the population data for many years if ever.

Delivering subtle change in complex systems, or major change for a small sub group, needs to be recognised, examined and learned from. Population data will not reflect this. It is vital that we enrich OBA™ Performance Measures by using a range of outcome evidencing techniques selected to suit the delivery agent, clients and nature of the work.

Substantial education, examination and modification are vital to avoid the pitfalls of superimposing an outcomes-based methodology on a system designed for measuring and reporting on outputs and compliance.

# Section 4

RECOMMENDATIONS

# Section 4

## Recommendations



The report concludes that while a gap still exists between the vision for an outcomes-based approach and its potential operational delivery - given the right motivation, leadership and commitment by both the public and VCSE sectors to invest in change, there is considerable potential to address this gap.

**To create a firm foundation for outcome based public funding, action is needed to:**

1. Help people embrace the concepts, develop a shared understanding and language about outcomes, and gain skills to ready themselves, their department, unit or section.
2. Examine the systems used to allocate and account for public expenditure and give guidance to ensure they fit to outcomes-based approaches.
3. Test new approaches and systems and share learning.

### 1. Prepare people

Outcomes are delivered by people. And those people need to be prepared for an outcomes-based approach. This means more than a training session in technicalities; that is vital, but first there must be exploration and conversation about how the foundations of public funding will need to shift to remain fit to the new purpose. Participants in this study valued opportunities to meet, share and learn from people in similar funding or client roles, and felt workshops would be welcome throughout the changeover period.

**There needs to be:**

- i. Leadership to expound expectations, time lines and support processes for the introduction of an outcome based approach across the public service.
- ii. Resources to inform public sector personnel, their funded clients and delivery partners of the rationale behind an outcomes-based approach and persuade them of its veracity.
- iii. Formal and informal training, reference materials and guidance to clarify the approach, language and terminology to be adopted.
- iv. Opportunities to discuss the new approach and its implications in general and in particular for public service and individual's roles and work within it.
- v. Training tailored to specific roles with the public funding system, to build skills including:
  - a. Interdepartmental programming and budgeting.
  - b. Outcomes-based programme design.
  - c. Co-design with other departments and VCSE partners.
  - d. New or adapted approaches to tendering, commissioning, grant making and associated monitoring of progress and expenditure.

## 2. Adjust systems

Space is needed to examine the fitness of current governance systems in light of evidence from here and elsewhere and use it to:

- a. Ensure good programme design is at the centre of all systems, providing clearly specified outcomes, indicators and measures.
- b. Adapt, or differently apply or interpret the guidance around project appraisal to create a better match with outcome based approaches and co-design. In particular to examine the future efficacy of business cases, economic appraisals and SMART targets for all.
- c. Separate out the timeline for the delivery of outcomes from that for reporting on the use of public funds to enhance meaning and reduce bureaucracy.
- d. Give effective guidance on how to agree outcome indicators, progress indicators and reporting time lines between co-design partners and monitoring and accounting personnel.

While acknowledging the primacy of advice emanating from the GB governance structure, and the embedded nature of NIGEAE and MPMNI, there has to be room to consider change around how and to what the various rules apply.

## 3. Test and learn

Northern Ireland has a small population and the people who deliver publically funded activities have greater access to programmes designers, policy makers and politicians than is usual across the UK or in larger countries. This means there is greater opportunity to talk, show and tell and create effective 'wrap round' outcomes cycle, from aspiration to design through to delivery, accountability, and building learning into

future planning and design. This will work if we create the space and trust to share and learn from success and failure alike. To learn and improve outcomes-based government there needs to be:

- a. Demonstration projects covering all stages of the funding cycle from programme design, through monitoring and accounting, which will report openly on their experience and how they worked within or around or adapted current guidance at each stage.
- b. Sharing of evaluative research about how outcome based government and funding has been implemented elsewhere and the lessons learned.
- c. Means to collate and share information about local demonstration projects and other programmes that are using outcome based approaches or are making relevant adjustments to accommodate them.

### For example:

Delivering Social Change (OFMDFM/The Executive Office) which used OBA™ across three major programmes: The Early Intervention Transformation Programme, the Social Investment Fund and Early Years.

The Central Procurement Directorate (CPD) demonstration projects to identify and test funding models that might support outcome focused funding through grant making and service procurement.

The impact of written guidance on compliance for funded bodies such as the DOJ guide for Police and Community Safety Partnership (PCSPs).

The outcome of the NIAO review of targets and similar reviews understood to be underway in HMRC and other departments.

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## Appendix 2: Interviewees

Department for Agriculture & Rural Development:	John Waddell
Belfast City Council:	Sharon McNicholl
Department for Social Development:	Elaine Downey, Gail Cheesman
Department of Finance & Personnel – Public Sector Reform Division:	Kelly Wilson
Strategic Investment Board:	Brett Hannam
Office of the First Minister & Deputy First Minister:	Mark Browne
Department for Culture Arts & Leisure:	Denis McMahan
Department of Justice:	Brian Grzymek
(+ in discussion)	Steven McCourt, Sinead Simpson, Barbara McAtamney
Northern Ireland Council for Voluntary Action:	Una McKernan
Northern Ireland Statistics & Research Agency (NISRA):	Tracy Power, Janis Scallon

## Appendix 3: 'Outcomes-focused Funding: A fresh start?' attendees

A discussion and consultation session held on 22 March 2016 at Malone House, Belfast

<b>Name</b>	<b>Designation</b>
Colin Jack	DEL
Angela McCallister	DCAL
Michael Thompson	OFMDFM (NISRA)
Stephen McDonald	DETI
Nick Livingstone	Arts Council
Jonathan McGinley	DCAL TBUC
Tony Murphy	DCAL
Janice Smith	DCAL
Colin Brownsmith	Waterways Ireland
Deirdre McMullan	DFP (PSRD Economics Unit)
Damian Brady	DCAL Equality Unit
C/Supt Peter Farrar	PSNI
C/Supt Tim Mairs	PSNI
Lindsey Jeapes	PSNI
Denise Teer	PSNI
Barbara McAtamney	DoJ
David McConnell	DCAL
Ruth Hewitt	Probation Board NI
Kiera Lloyd	DoJ
Edgar Jardine	NI Policing Board
Elaine Colgan	DHPSS
Paula Gow	NI Policing Board

# Appendix 4: Interview structure

**Introduction: Purpose** - identify and discuss challenges, opportunities and possible solutions to the implementation of outcome-focused funding.

**Policy and Practice** - Objective: To understand how outcome-focused funding works within Departments and assess the readiness of the funding and approval systems to support outcome-focused practice.

- How does it work within your Department? Roles and responsibilities.
- Operational practice - funding.
- Prompt proportionality.
- Departmental limits to refer to economists either in this Department and/or DFP?
- What are the issues typically raised by economists when OFP cases are submitted for advice/approval?
  - o Prompt: targets and quantitative measures.
- To what extent are qualitative measures considered sufficiently robust as part of the system of appraisal of outcome-focused practice.
  - o Prompt, to what extent are qualitative/outcome focused objectives viewed as a barrier to effective appraisal and monitoring?

**Practical challenges to implementation of outcome-focused funding** - Objective: Identify the key practical barriers and to fully implementing outcome-focused funding within Departments.

- Identified in scoping study March 2015, what in your view are the main practical barriers to implementing OFF in this department?
  - Prompt on: Dear Finance Director DFD letter June 2015- outcome focused; annex F to Guide on reducing Bureaucracy.
  - Funding arrangements to support OFP- proportionality.
  - NIGEAE - appraisal, evaluation, focus on metrics.
  - Consistency of practice- is the practice universal? What do you know of implementation in other departments/organisations?
- What are the main challenges in balancing the requirements of the NIGEAE and outcome-focused funding.
- What are the forthcoming opportunities to implement outcome-focused funding in this department/ across departments?
- What, in your view, are the practical steps that could be taken to further embed outcome-focused funding?
  - Prompt, the practical steps needed.

**Future** - Objective: To understand the extent to which support for the implementation of outcome-focused would be helpful in embedding impact practice in the departments.

- What are the expectations in delivering outcome-focused funding support during the life of the next PFG?
- To what extent is there a shared understanding of OFF?
- How might this be addressed? Workshops, shared learning?
- In your view, is there anything else that is important regarding the opportunities/challenges for outcome-focused funding?

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