


ARTICLE

Social bridging finance: a new Scottish model for financing public service design and delivery?

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(Received 21 December 2023; revised 14 May 2025; accepted 12 June 2025)

Abstract

In the UK, some devolved governments such as in Scotland have taken a distinctive approach to implementing public service reforms. In this article, we explore the key enablers and constraints of outcome-based initiatives at the sub-national level. Drawing on a formative evaluation of the delivery of the Social Bridging Finance model, this study contributes to understanding results-oriented funding models and pluralist governance in welfare services beyond Scotland in three key ways. First, it emphasises the critical role of independent, multi-year grant funding in enabling more equitable and collaborative relationships between public bodies and the third sector. By reducing financial risk, such mechanisms challenge traditional state-led financing models. Second, it highlights the dual role of contractual agreements – supporting early sustainability discussions but revealing limitations when legal enforceability is weak. This points to the relevance of informal and relational accountability in outcome-based commissioning. Third, the study identifies the importance of collaboratively developed success criteria. The diverse experiences revealed in this study emphasise the need for flexibility, shared ownership and continuous learning – particularly given public sector responsibility for service continuity.

Keywords: outcome-based commissioning; Scottish approach; public service finance; equal collaborations; sustaining service delivery

Introduction

The rise of pluralist governance models in welfare services, which incorporate public–private networks and engage citizens and third sector organisations as ‘co-producers’ (Pestoff, 2012; Bovaird and Loeffler, 2022), inevitably reshapes the distribution of responsibilities and power between the state, third sector and citizens (McMullin, 2021, 2024; Calò et al., 2023). In the UK, this conversation unfolds

against the backdrop of budget cuts at the local authority level (Hastings *et al.*, 2015; Gray and Bardford, 2018). Financing public services has become a central issue, driven by various new social finance initiatives (Purna *et al.*, 2024) and underpinned by regulatory changes, including the government's push to modernise commissioning from 2011 onwards (Cabinet Office, 2010; Painter, 2013). In this environment, outcome-based commissioning (OBC) has gained increasing traction in policy discourse (Bovaird and Davies, 2011; Dowling, 2016; Edmiston and Nicholls, 2018), advocated as a tool for enhancing both economic performance and social value (Fraser *et al.*, 2018) whilst shifting risk from governments to private investors (Lowe *et al.*, 2019; French *et al.*, 2022). Some scholars describe this trend as 'policy boosterism,' wherein political narratives critique the welfare state's shortcomings, positioning OBC as the solution (Wiggan, 2018).

OBC refers to a commissioning approach based on the outcomes to be achieved, rather than the activities to be undertaken (inputs) and/or services to be delivered (outputs) (GoLab, 2019). Many countries have experimented with different forms of OBC to finance the provision of social services (De Pieri *et al.*, 2022; FitzGerald *et al.*, 2023). In the UK, especially in England and Wales, Payment by Results (PbR) models such as social impact bonds (SIBs) have been used to fund public services. SIBs are a class of OBC where the up-front finance for social service delivery is made available by third-party investors rather than service providers (Olson *et al.*, 2022). Whilst SIBs are held as exemplars of innovation in financing public services, evidence is gathering around their limitations (Olson *et al.*, 2022). Recent literature revealed that SIBs did not represent a risk-shift away from public finances (FitzGerald *et al.*, 2019), whilst at the same time they did not produce new forms of 'shared' social value (Ogman, 2020), enable more effective co-production processes (Olson *et al.*, 2022) or lead to improved social outcomes (Edmiston and Nicholls, 2018). Scholars have also critiqued the effectiveness of OBC, questioning the appropriateness of 'private sector' values and mechanisms in the field of public services' (Fraser *et al.*, 2018: 9) manufacturing consent for social service reform that privatises social policymaking, marketises vulnerability and de-publicises social services (Joy and Shields, 2018: 682). However, the increased role of private capital in the financing of welfare provision is relatively under-explored and largely presumed in social policy debates (Tombs, 2015; Propper and Green, 2001; Needham *et al.*, 2023).

Building on this context, other local governments in the UK have adopted distinctive approaches to public service reform. Devolution has created opportunities for divergence in social policies, resulting in differences between initiatives in Scotland and those in other parts of the UK (Keating, 2021). This is perhaps unsurprising, as policymaking for the third sector in the UK has allowed room for diverse and innovative approaches since the late 1990s devolution (Alcock, 2012). This is coupled with the efforts made to create new social policymaking approaches in devolved nations such as Scotland where, despite a strong focus on community engagement and coproduction, there is still room for improvement in outcomes (McKendrick *et al.*, 2016; Wiggan, 2017; Sinclair, 2022). Thus, the potential existence of a 'Scottish approach' (Cairney *et al.*, 2016) to OBC is an important gap in the existing literature not only in terms of new models of financing service (re-)design and delivery, but also in understanding the asymmetries in social policy at the sub-national level (Beland and Lecours, 2006; Purna *et al.*, 2024),

including understanding potential divergences in welfare state development in those contexts of substate nationalism (Beland and Lecours, 2005; Daigneault et al., 2021).

This paper examines the key enablers and challenges of OBC initiatives at a sub-national level, using qualitative data gathered from interviews, documents and observations of meetings during a 2-year evaluation of the Social Bridging Finance (SBF) model across three demonstration projects (Dundee, East Renfrewshire and South Ayrshire). The SBF model involves the delivery of an evidence-based service by a third sector organisation (TSO), which a public sector partner guarantees to sustain via a legally binding contract. It emphasises collaboration, outcome measurement, sustainability and adaptability as key components of an effective approach to addressing social issues. Therefore, the model offers valuable insights into how OBC principles can be applied in a specific regional context, shaped by the devolved powers of the Scottish Parliament, which has sought to develop a distinctly Scottish approach to policymaking (Cairney et al., 2016).

Our research reveals that, although the SBF model does represent a novel intervention at the sub-national level addressing sustainability concerns in public service innovation, sustainability remains a concern. In this sense, the SBF model presents further evidence of the importance of more equitable relationships between those engaged in these partnerships from the outset (i.e. public sector and TSOs). Nevertheless, our findings indicate that the model worked best where relations between statutory authorities and TSOs were already well established and functioning effectively. Thus, our findings suggest that any discussion of a ‘Scottish approach’ to OBC is at best premature, as our research identifies variation in the design and implementation of initiatives within the Scottish context. As such, our study contributes towards addressing the clear gap in extant knowledge on OBC at the sub-national level and opens avenues for comparisons to be drawn with other social policy contexts which investigate divergence from central government (Beland and Lecours, 2005; Greer, 2010; Vampa, 2017) in the design and implementation of OBC initiatives.

Outcome-based commissioning for public services

Since 2010, following UK government policy to modernise commissioning, various OBC models have been implemented under the auspices of improving both economic performance and social value (Fraser et al., 2018) and in theory, transferring the risk of service innovation from governments to private investors (Lowe et al., 2019; French et al., 2022).

However, the effectiveness of these models remains contested (Sinclair et al., 2021). The literature on collaborative forms of service delivery highlights the tensions arising in the third sector–state relationships in terms of governance, management and accountability (Brandsen and van Hout, 2006; Romzek et al., 2012). Indeed, ‘third sector participation in public services does not occur on a level playing field’ and debates increasingly focus on challenges organisations face (Macmillan and Paine, 2021: 607).

Indeed, a plurality of private actors, logics and features interact within and across service dimensions to affect the operation, impact and status of public services (Edmiston and Nicholls, 2018: 58). Rees et al. (2017) argued that commissioning remains contested and political – it is a relational process dependent on personal

practices, skills, and on personal relationships between stakeholders – and is therefore not fully managerialised or marketised.

The challenges related to the measurement process in OBC are linked, in fact, to finding an agreement amongst stakeholders on the definition of outcomes, metrics and targets (Carter, 2021; Maier and Meyer, 2017). The development of a methodologically robust measurement process, trusted by all the stakeholders involved, is costly, time-consuming and complex (Fox and Albertson, 2011; Tropeano *et al.*, 2024). In attempting to overcome the gaps in public management literature, which tends to focus on the formal aspects of accountability in contract relationships (Romzek *et al.*, 2012: 442), scholars have described intricate and lengthy negotiations regarding the design of the measurement process (Dixon, 2021), linked to the difficult balance between the needs and expectations of stakeholders involved in measurement and the management of their bargaining power in defining the outcomes and targets (De Pieri *et al.*, 2022). At the practical level, this suggests there is a need to set up collaborative processes for the design of measurement processes, gathering the contributions of providers and users (Loeffler and Bovaird, 2020).

Numerous studies have focussed on the advantages and risks of collaborative governance – especially on what favours or hinders the processes involved (see, for example, Brandsen and van Hout, 2006; Scott, 2015; Choi and Robertson, 2019; 2014). Whilst work focussing on how contextual elements influence processes and outcomes is still relatively scarce (Bryson *et al.*, 2015), recent work (Calò *et al.*, 2023) on new forms of collaborative governance processes revealed some mechanisms leading to successful and equitable collaborative work. For example, the presence of expert leaders as well as independent organisations involved in supporting partnership development were found to mediate and manage potential tensions. Moreover, a clear path towards the sustainability of the processes identified at the outset of the collaboration, through the establishment of formal agreements, was also beneficial to the resulting services and their underlying collaborative principles (*ibid.*).

OBC in Scotland

The attraction of OBC in the Scottish context is revealed when considering the acute public finance constraints that have been ongoing at local authority level, which have led to ‘a continued focus on service reform, based on strong engagement with communities’ (Audit Scotland, 2023a). Consequently, understanding the Scottish context requires an appreciation of the fiscal background. However, there are other features of the landscape in this devolved polity that we must situate in our analysis of emerging OBC approaches.

The development of OBC in Scotland has drawn upon learning from the experiences of more collaborative, co-productive processes such as the Public Social Partnership (PSP) model. PSP involves a collaboration between different sectors of the economy – in this case the public and third sectors in the main – to design new services more appropriate to the needs of services users. Whilst previous research on the Scottish PSP model (Mazzei *et al.*, 2020) has found that collaborative governance processes involving TSOs could potentially lead to better and improved services, this was only true when discussions occurred on the long-term financial sustainability of

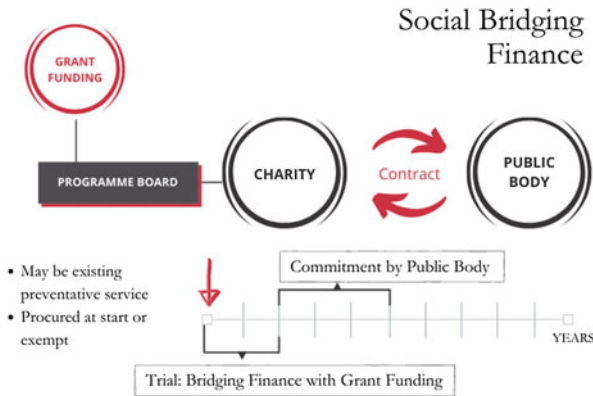


Figure 1. The SBF model (adapted from TRT) <https://www.therobertsontrust.org.uk/publications/social-bridging-finance-model-evaluation/>.

these processes and a commitment to the mainstreaming not only of the resulting services, but also of the process itself.

Moreover, extant research in the Scottish context has revealed some of the challenges of shifting away from top-down relationships between government and the third sector reminiscent of New Public Management approaches of the past (Lindsay et al., 2014). This includes valid concerns of TSOs being relegated to the position of ‘junior partners’ whose services can be dispensed with when budgets come under further pressure (Fyfe et al., 2006) and questions of sustainability loom large.

It is against this background that the SBF model was developed, to overcome issues of sustainability through an outcome-focussed and collaboration-driven process. Drawing from the evaluation of the SBF model offers valuable insights that can be applied to the broader field of social services and OBC.

Background

The Robertson Trust (TRT) is one of Scotland’s largest independent funders providing support to organisations and groups who are helping to meet the immediate needs of people in their communities. In 2002, as Scotland’s public sector tried to respond to the Christie Commission’s roadmap for public service reform, TRT developed the SBF social finance model to enhance the sustainability of preventative public services. The model consists of five stages: design, contract, demonstration, evaluation and sustainability (see Figure 1). The design stage entails forming a partnership between a public sector agency, a TSO, and an independent funder to replicate an evidence-based service previously trialled elsewhere or on a small scale in the same geography. This service aims to transition from reactive to preventative measures, addressing a recognised need with the prospect of long-term funding from the public sector. During the contract phase, partners agree on success criteria and sign a binding contract to secure ongoing funding if these criteria are met. Following an initial setup phase, the service operates for 2–3 years. A project

board, comprising senior representatives from all partners, provides strategic oversight. An independent audit, funded by the external funder and agreed upon by all partners, assesses whether the success criteria are achieved by the end of the service trial. If the criteria are met, the contract specifies the duration for which the public sector will continue funding the service. If the criteria are not met, the partners will review the process and exit, with the external funder assuming the risk.

The SBF was trialled in three ‘demonstration’ projects (see Table 1) across Scotland encompassing three local authority areas, namely East Renfrewshire, Dundee and South Ayrshire. Each of these local authority areas have their own distinct geographies including urban, suburban and coastal areas, varied industrial legacies; concentrations of poverty (Scottish Government, 2020); and financial pressures (Audit Scotland, 2022; 2023b; Deloitte, 2023).

East Renfrewshire Health and Social Care Partnership and East Renfrewshire Council worked with a TSO to trial a new bespoke service, providing intensive support to families with a young person experiencing emotional distress within the local authority area. In Dundee, TRT invited organisations they had already worked with to tender to deliver the Pause UK programme – providing comprehensive support to vulnerable women who have experienced, or are at risk of experiencing, repeat removal of babies from their care. TRT and Dundee Council already had trusted relationships established with the third sector provider. Finally, in South Ayrshire, the Local Authority collaborated with a TSO to deliver a service aimed at providing counselling, support and signposting to improve the mental wellbeing of local Academy pupils and their families. Proposed support included individual counselling, drop-ins and group work with pupils and their families during term time as well as school holidays. Other funders (e.g. The William Grant Foundation funded the preliminary work) had indicated support for the project if it proceeded. Despite the challenges experienced by partners in reaching workable solutions, the TSO was tasked to deliver the service for an initial 6-month period during which evidence gathered was to enable all partners to agree upon indicators and set realistic targets. In 2021, a decision was made to cease participation.

Methods

A formative evaluation assessed the implementation and delivery of the SBF model over the period April 2019 to June 2022. The overall aim of the evaluation was to understand the strength and challenges of implementing the SBF model, whether it achieves the intended objectives and if so, what elements of the model enable these to happen in a devolved social policy context.

The evaluation primarily relied on evidence from the implementation of the SBF model in two demonstration projects, located in Dundee and East Renfrewshire. Additionally, it incorporated insights from South Ayrshire, where partners explored but ultimately did not adopt the model. This case was included in the analysis as a ‘counterfactual’, helping to shed light on the barriers and facilitators of OBC in devolved social policy settings.

In total, 42 in-depth interviews were carried out between December 2019 and June 2022, with key stakeholders from each project and with TRT. The interviews sought to address the understanding of the model, as well as its strengths, challenges

Table 1. Demonstration projects (adapted from TRT)

	East Renfrewshire family wellbeing service	Pause in Dundee	Place2Talk Carrick
Public sector partners	Health and Social Care Partnership and Council	City Council	City Council
Third sector partners	Children 1 st	Pause and Tayside Council on Alcohol	Place2Be
Service	Intensive support to families with a young person experiencing emotional distress who presented at a GP practice.	Comprehensive support to vulnerable women who have experienced, or are at risk of experiencing, repeat removal of babies from their care.	Provision of counselling, support and signposting to improve the mental wellbeing of Carrick and Girvan Academy pupils and their families.
Funders	TRT and Health and Social Care Partnership	TRT and National Lottery Community Fund.	William Grant Foundation, TRT, Paul Hamlyn Foundation, North Carrick Community Benefit Company, and Council (via Scottish Government funding for school-based counselling).
Contract status	Contract signed July 2019	Contract signed August 2019	Contract not signed
Progress	A 6-month mobilisation period began in June 2019 followed by a 2-year delivery period from 1 December 2019 to 30 November 2021. In January 2022, East Renfrewshire HSCP agreed to sustain the service from April 2022 until the end of May 2024 using an underspend from Scottish Government funds allocated for school counselling and improving young people's mental health.	A contract was signed in August 2019, with the expiry date of October 2022. In September 2021, Dundee City Council Children and Families agreed to sustain the service for 18 months until the end of March 2023.	

and value and its impact in terms of relationships, partnership working, service delivery and outcomes. Moreover, key documents pertaining to the programme and the individual projects were reviewed, including background papers, evolving SBF Guidance and documents produced by partners in the three demonstration projects (i.e. service plans, draft success criteria, contracts and minutes of meetings). The review of SBF documents enabled further reflection and evidence gathering around progress on the implementation and emerging impact of the specific demonstration projects and the SBF model as a whole. In this paper, we draw from the literature on OBC to focus our discussion of the SBF model evaluation's findings.

Findings

Following the analysis, we have organised the findings around four key themes, namely: fostering collaborative, equitable partnerships; availability of external funding; formalisation of commitment through a contract; and evidencing impact through 'success criteria'. These themes help us to understand the performance of the model; they also speak to the key debates in the extant literature discussed above and are fundamental for grasping how the nuances of the Scottish context can be a source of learning for scholars, practitioners and policymakers in other jurisdictions, which are experiencing growing interest in OBC.

Fostering collaborative, equitable partnerships

There was a view amongst respondents that independent grant funding helped to create more equitable relationships between the third sector and public sector partners (see Lindsay *et al.*, 2014). Many attributed this to the potential power imbalance in more traditional situations where the public sector funds a third sector organisation to deliver a service. The following quotes illustrate the positive experiences shared by third and public sector partners:

the [SBF] model has many advantages. It allows the formalisation of the relationship between different partners, as it creates a more equitable relationship between the charity, the funder and the local authority. It fosters or encourages a genuine collaborative approach as everyone makes an effort to make this work while accepting the risks that it may not succeed. (Third sector partner)

It was an equal partnership. It wasn't the local authority directing the third sector to do this and that. The third sector and the local authority worked together to look at what the ultimate outcome was . . . (Public sector partner)

Fostering collaborative relationships was described from partners in Dundee and East Renfrewshire comparatively from their positive experience of partnership working with the SBF model to their experience of other funding arrangements, particularly the traditional commissioner-provider approach. They emphasised that SBF had been characterised by a much more equitable approach built around trust, honesty and openness, as detailed in the quote below:

It is that conversation up front about sustainability, it allows people to come in and feel as though there is a more equal partnership. I felt the difference, I am not thinking 'I better not say that' because I will have to come back to them to ask for future funding. I think the conversations and dialogue with people at the very senior level, I would not be dealing with people in that position with a normal grant. (Third sector partner)

Whilst a strong commitment to partnership working emerged as a significant contribution of the SBF model, two counteracting factors were also highlighted. Firstly, that collaborative partnerships were fostered where existing working relationships already existed. For example, the East Renfrewshire Family Wellbeing Service emerged from discussions between the main partners who had a successful track record of partnership working. In Dundee, partners appear to have quickly established good relationships, helped by Dundee City Council's positive approach and the involvement of a local TSO with an existing relationship with the local authority and TRT. Conversely, where those partnerships did not exist, as was the case in South Ayrshire, it was challenging for partners to reach an agreement and to proceed with the implementation of the SBF model because of the difficulty in agreeing upon both the indicators and the targets for the success criteria and the level of understanding and trust amongst those involved. Secondly, some third sector partners felt that the presence of extra substantial funding from the TRT was crucial in shaping the public sector partner's approach towards TSOs and therefore producing the more equitable relationships that emerged. Indeed, some TSOs expressing concerns that this relationship may change when funding is taken on by the public sector is an issue that has been identified by scholars in the Scottish context (Egdell and Dutton, 2017) and worth further consideration by The Robertson Trust.

Availability of grant funding

Interviewees from both the public and the third sector identified the availability of substantial grant funding over a number of years as one of the main benefits of the SBF model. However, several participants also explained that the benefits went beyond simply an increase in resources. The availability of external funding ensured an opportunity to innovate, whilst also minimising risks.

Third sector interviewees stressed the importance of the additional funding in engaging the public sector, especially the size and multi-annual nature of the funding available. Public sector consultees reported that the funding allowed them to establish or expand services, which they might not otherwise have been able to do, and most significantly, reduced the risk of doing so:

Social Bridging Finance was an opportunity to do something different, to look at the whole system of support for young people with mental health issues, to take away the silo mentality and look upstream and downstream. (Public sector partner)

The funding allowed us to take something to scale, to develop something of significant enough size and length to actually evidence impact which we don't always get through other funding models. The scale of the funding and what that allowed us to develop, is something I hadn't experienced elsewhere . . . Officers could say to their elected members, if we all engage in this there's substantial money coming in that might not be there if we don't. That helped corral elected members, other senior leaders. (Third sector partner)

The additional funding provided the opportunity to deliver a preventative service whilst retaining existing services, during which time it could prove its value for it to be sustained by the public sector. The funding provided via the model was therefore viewed by interviewees in a significantly different light compared with traditional grant funding. What these findings indicate is that in times of public finances being under pressure, risks can be mitigated in a way that does not represent a 'risk transfer' from government to community through the withdrawal of services where individuals and community organisations must step in to fill the gap (McKendrick *et al.*, 2016). This is exemplified in the quote below:

This is about long-term thinking, and understanding that piloting this project now, means that further down the line, if it works, money will be saved and these resources can be directed to it, with further saving made. When councils are strapped for cash, funding something which is seen to be experimental is difficult but The Robertson Trust is agile enough to make that investment. (Public sector partner)

This indicated that risks are taken transparently and with accountability (Brown and Osborne, 2013), underpinned by the security of additional funding, which in turn creates the space for innovation that can then be consolidated through public sector delivery which is preventative and thus adopts a longer-term approach to reducing pressure on scarce resources.

Formalising commitment through 'the contract'

The contract is one of the defining features of the SBF model. Despite the centrality of the contract to the model there were differences in the perception of the importance of it amongst participants. Indeed, throughout the evaluation, it became clear that the contract played an important role at the outset in driving agreement, building trust and significantly, compelling partners to focus on sustainability. Later in the process, the contract was shown to be an important reference point for some public sector stakeholders during the decision-making process, although the impact of the service, the strong support of the lead officers from the public sector partner and of course public sector finances were also important factors.

This is revealed in the extracts below:

The presence of a contract brings in a high level of security and certainty of not having to go through the process of tendering for procurement contracts, which is very resource intensive for small organisations. (Third Sector partner)

It [the contract] helped us to remind them [council] what they had committed to. However, the reality of the situation is if they didn't have the money and the commitment and the evidence and the leadership, they could still have said no we are not doing it, we cannot afford it, we've just been through a pandemic. (Third sector partner)

Therefore, the importance of the contract can be attributed more to the effect it had in the early stages of building partnerships, rather than any weight it may carry in a court of law. Some partners suggested a partnership agreement could have had the same effect without the legal status attached to signing a contract and there were concerns expressed about future support from policymakers:

The contract is fine, but questions were raised as to whether it is really legally binding. If there is a political change of direction, can it be legally binding if the administration decides to change priorities? (Public Sector partner)

What became clear is that in contrast to the importance of the contract at the initial phase of the process, during the delivery phase, interviewees in East Renfrewshire and Dundee reported that the contract was not something that partners felt the need to refer to. The use of a codicil in East Renfrewshire to amend the success criteria after it was signed off by partners demonstrated that a flexible approach was possible. One interviewee pointed out that the contract could be important if key individuals within the partnership changed during the delivery phase, particularly within the public sector partner. They felt, in such circumstances, the contract could be useful for briefing someone new on what the organisation had committed to.

Later in the SBF process, at the sustainability decision-making stage, the evaluation found that interviewees had varying views about the importance of the contract. Those in the third sector identified it as a useful device for generating discussions on sustainability but not in terms of the decision-making process. Some public sector interviewees suggested the contract was an important part of this stage of the process, however, others were more circumspect in their views. Some of the elected members involved in East Renfrewshire and Dundee reported that the contract played a significant role, with the inclusion of success criteria clearly setting out a commitment to sustain the service if it was shown to be a success.

The contract was important. Sustainability was always going to be an issue given the cost of the service. The contract demonstrated a commitment to continue it if the evidence showed it was a success. (Elected member)

We had to involve the Leader of the Council and some of the Convenors to agree to sign the contract, whereas other funds would not have required their input. (Public sector partner)

However, the degree of uncertainty, although reduced by the contract, was perceived as challenging for the long term. The public sector partners could only decide on sustaining the service near the end of the demonstration period and they remained

limited by their own budgets and financial pressures in the commitments they could make.

The commitment required (by the model) is very difficult with the local authorities having finite budgets . . . There is some risk to taking this on, and this moves away from the usual legal perspective of risk avoidance. (Public sector partner)

Evidencing impact through ‘success criteria’

The development of the success criteria in the three demonstration projects has provided some useful learning for the SBF model, as their experiences have been very different. The process in Dundee appears to have been relatively straightforward, benefitting from the third sector partner’s experience as a TSO of monitoring and evaluating delivery elsewhere in the UK. The process in East Renfrewshire took some time to define suitable indicators but all partners were cooperative throughout. Conversely, the process in South Ayrshire proved challenging for partners and was mostly driven by the William Grant Foundation (one of the funders) overseeing the process and maintaining partners’ involvement over several months. The challenges revolved around agreeing upon both the indicators and the targets for the success criteria, although there have been some mitigating circumstances as discussions have been complicated by additional Scottish Government funding for school-based counselling (which was the main aim of the intended service for the area).

The South Ayrshire experience has generated some useful insights into the challenges that can be encountered in the building of partnerships in practice. For example, it has demonstrated the importance of relationships. Although the challenges have undoubtedly centred on the success criteria, at times, the underlying issue, in our view, has been the relationships and the level of trust and understanding between partners. The experience has also demonstrated the importance of clarity of purpose, as the process may have been less challenging if the aims were clearer at the outset, as was the case in East Renfrewshire and Dundee.

The public sector partner’s identification of a critical issue (i.e. the number of young people with emotional distress going repeatedly to the GP in East Renfrewshire) that could be addressed by an additional service was crucial to the development of the project and later the success criteria through the SBF model. (Third sector partner)

We were aware of an issue (i.e. repeated cases of babies born to vulnerable women taken into care in Dundee) and a possible solution that could lead to benefits for participants and public sector itself. (Public Sector partner)

Ultimately, the development of the success criteria in the demonstration projects has shown that the criteria must be owned by the public sector partner. Our findings suggest that it is ultimately the public sector partner committing to sustaining the projects once independent grant funding ends, and it should be absolutely clear at the outset what the public sector partner regards as success. At the same time, it is

vital that the third sector partners can agree to the criteria, but the success criteria have to capture the public sector partners' ambitions and convince them that there is a clear link between the service and the impact being credited to it.

To inform future funding decisions the success criteria have to be right – if we don't get the measures right at the start we've got nowhere to go . . . we need measures that aren't ambiguous – that we can attribute impact to the service and not other influences. (Public sector partner)

There is 'buy in' from the partners and committing to financing this all the way through means that tracking the progress began at the start. [. . .] There is a moral and legal obligation to do this that is built into the process. (Public sector partner)

Although the success criteria are fundamental to demonstrating the impact of the services funded via the SBF model, the wider economic context still matters. The decisions made on the sustainability of the services do not occur in a vacuum and are therefore best understood against the background of the financial strains on local government finances in Scotland (Audit Scotland, 2023c). The pilot projects in both Dundee and East Renfrewshire have been sustained beyond the pilot stage. However, it is important to highlight that the funding arrangements are short term (East Renfrewshire's 2-year commitment is a year less than envisaged in the contract; Dundee's 18-month funding commitment is in line with the contract) and insecure. Neither service has secured a long-term commitment from mainstream budgets. In this context, it was pointed out that:

It is very difficult for local authorities to provide longer-term commitments because of the short-term nature of their financial settlements with the Scottish Government and subsequently our budgets. (Public sector partner).

Discussion and conclusions

Building on the analysis of data from a 2-year evaluation of the SBF model in Scotland, this paper aimed to explore the opportunities and challenges involved in implementing this OBC approach in a sub-national context. The SBF model seeks to address financial limitations by fostering collaborative, co-productive relationships, particularly engaging the third sector. In line with previous studies (Calò et al., 2023; Rees et al., 2017; Romzek et al., 2012), our findings suggests that the process of collaborative commissioning is complex, inherently relational and triggered by different contextual characteristics.

Our study also contributes to enhancing our understanding of novel, results-oriented funding models and pluralist governance models in welfare services beyond Scotland. Firstly, our findings highlight the significance of independent grant funding as a critical factor in creating equitable partnerships between the third sector and public entities. This aligns with previous studies that emphasise how financial resources and power dynamics shape public service governance and further reiterates the importance of relational components in such collaborative

arrangements (Pierson, 2006; Pestoff, 2012; Rees *et al.*, 2017). Furthermore, our results highlight that the model's provision of substantial multi-year funding contrasts with traditional upfront payments by the state, reducing risks for public partners and enabling the expansion of services through third sector organisations. However, our study also identifies challenges associated with long-term planning and uncertainties about public sector commitments, revealing that budget constraints may impede the sustainability of services. This reflects ongoing concerns within literature regarding the sustainability of outcome-based financing models (Nicholls and Emerson, 2015; Olson *et al.*, 2022).

Secondly, our study emphasises the importance of contractual agreements in fostering collaboration, trust and sustainability. At the SBF's outset, contracts facilitated early discussions about sustainability, a practice that might be delayed in other outcome-based funding frameworks (Olson *et al.*, 2022). However, concerns were raised regarding the legal enforceability of these contracts, highlighting potential weaknesses in ensuring sustained commitment amid changing political and financial landscapes. This suggests a complexity in relying solely on technical contracts as mechanisms for long-term sustainability in OBC models and points towards theories of informal accountability (see Romezek *et al.*, 2012) and relational contracting (Carter, 2021).

Thirdly, our findings indicate that establishing success criteria for the SBF model has been a learning process, with varied experiences across demonstration projects. Clear and mutually accepted measures are essential for assessing service impact and determining the potential for public sector mainstreaming. Nevertheless, obstacles in defining relevant indicators and targets for success criteria illustrate the necessity for ongoing learning and adaptability. The study highlights that ownership of these success criteria by public sector partners is vital, as they bear the responsibility for sustaining services. This aligns with academic discourse on meaningful stakeholder engagement and co-production in outcome-based commissioning and social finance initiatives (Pestoff, 2012; Dowling, 2016; Tropeano *et al.*, 2024).

From our findings, we argue that whilst the SBF model emphasises sustainability for preventative public services, concerns remain. In Dundee and East Renfrewshire, services have persisted beyond initial demonstration phases, yet the funding arrangements are characterised by short-term and insecure commitments, with neither securing a lasting commitment from mainstream budgets. The issues faced by public sector partners in providing long-term commitments stem from the short-term nature of their financial agreements with the Scottish Government, which hampers their ability to assure continuity. This points to the premature nature of discussions regarding a 'Scottish approach' to OBC models. This would also require further studies, with a broader interviewee pool including local politicians alongside non-profits and civil servants.

Scotland's historical resistance to austerity measures (Wiggan, 2017; Massetti, 2018; Featherstone, 2021) reflects an emphasis on community participation and co-production in social policy (Flemig and Osborne, 2019; Steiner *et al.*, 2023). The SBF model draws inspiration from collaborative processes which aim to create services that are more responsive to user needs (Calò *et al.*, 2023). Whilst seeking to remedy shortcomings of prior OBC approaches, the SBF model still encounters challenges. These opportunities and challenges are embedded in the differentiated approaches of

sub-national governments, such as Scotland's, which has demonstrated how devolution allows for diverse social policy and financing strategies (Meer, 2020; Sinclair, 2022). Scholars in similar contexts, where social policy divergence in sub-national approaches are possible (Beland and Lecours, 2005; Greer, 2010; Vampa, 2017), should consider the Scottish case outlined here as a starting point for their own investigations of new models of funding. For example, our study of the SBF model highlights that sustainability remains a critical concern in future public service reforms, and it will be important to learn whether – and how – such concerns shape developments elsewhere.

Acknowledgments. Thank you to the anonymous reviewers for their time and invaluable suggestions to improve previous versions of this paper. Thank you to Iconic Consulting and The Robertson Trust for their work and participation to the original study.

Competing interests. The author(s) declare none.

Ethical standard. Ethical approval for study received by Glasgow Caledonian University.

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Cite this article: Mazzei, M., Bellazzecca, E., Montgomery, T., and Calò, F. (2025) Social bridging finance: a new Scottish model for financing public service design and delivery? *Journal of Social Policy* 1–18. <https://doi.org/10.1017/S0047279425100937>