



# The LOUD SIB Model

The four factors that determine whether  
a social impact bond is launched

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A report by  
James Ronicle, Alec Fraser, Stefanie Tan and Catie Erskine

## 01 Introduction

The aim of this report is to describe the factors necessary in launching a social impact bond (SIB). It combines the findings from separate research undertaken by Ecorys UK and the Policy Innovation Research Unit (PIRU) at the London School of Hygiene & Tropical Medicine (see annex).

A SIB is essentially a type of payment by results<sup>1</sup> (PbR) contract. Like other types of PbR, a commissioner<sup>2</sup> (usually one or more public sector bodies) agrees to pay for outcomes<sup>3</sup> delivered by service providers<sup>4</sup>, and unless those outcomes are achieved, the commissioner does not pay, transferring the financial risk of non-performance from government to service providers. Where a SIB differs from a PbR contract is that the provider in the SIB does not use their own money to fund their services until they are paid – instead, money is raised from so-called ‘social investors’, who receive a return if the outcomes are achieved, thereby transferring financial risk of non-performance from service providers (and government) to investors. And usually – though not always – the provider is paid up-front by a third party body, which holds the contract, rather than holding the contract directly.

SIBs are being developed across the globe. According to recent estimates, 160 are being developed worldwide<sup>5</sup>, including in Europe, Asia, North America and Australasia<sup>6</sup>.

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<sup>1</sup> Payment by Results is the practice of paying providers for delivering public services wholly or partly on the basis of results achieved. Note, all definitions have been taken either from the Centre for SIBs ([data.gov.uk/sib\\_knowledge\\_box/home](http://data.gov.uk/sib_knowledge_box/home)) or the National Audit Office (2015) report: *Outcome-based payment schemes: government's use of payment by results* ([www.nao.org.uk/wp-content/uploads/2015/06/Outcome-based-payment-schemes-governments-use-of-payment-by-results.pdf](http://www.nao.org.uk/wp-content/uploads/2015/06/Outcome-based-payment-schemes-governments-use-of-payment-by-results.pdf)).

<sup>2</sup> A commissioner is an organisation which funds or contracts for delivery of a service.

<sup>3</sup> An outcome is a result or change experienced by a person, family or community, for example improved parenting.

<sup>4</sup> A service provider is an organisation which is contracted or funded to deliver the service.

<sup>5</sup> See: [www.pioneerspost.com/news-views/20160928/social-impact-bonds-are-they-ethical](http://www.pioneerspost.com/news-views/20160928/social-impact-bonds-are-they-ethical)

<sup>6</sup> Impact Bond Global Database, Social Finance. Accessed 12/12/16. See: [www.socialfinance.org.uk/database](http://www.socialfinance.org.uk/database).

Yet the experience of those involved in the English Commissioning Better Outcomes (CBO) Fund and the SIB Trailblazers programme suggests that it is unlikely all of these SIBs will be launched. Both these programmes have provided grants to support the development of more SIBs in England, and in both programmes a number of projects receiving grants eventually decided not to set up a SIB. As part of the CBO Fund 62 areas received grants to develop SIBs and, as at December 2016, 37 of those decided not to launch their SIB. Additionally, nine SIB Trailblazers in health and social care received development grant through the Department of Health's Social Enterprise Investment Fund (SEIF). Of these, four chose not to set up a SIB. Research undertaken for the CBO Fund found that SIB development could stop at any point in the process, for a myriad of reasons.

The fact that the main stakeholders in a number of areas concluded that a SIB was not feasible and did not continue to develop SIBs should not necessarily be viewed negatively, as the aim of both the SEIF and CBO grants was to test the feasibility of a SIB in a local area. Moreover, in a number of cases the feasibility work led to the development of new services, which were commissioned through more traditional means. It is important to note, however, that this process took a reasonably large amount of money (the average grant size ask for CBO was £88K) and time. It is doubtful that grants akin to those provided through these programmes will be available indefinitely, and so future stakeholders will not have the opportunity to spend this level of resource on testing the feasibility of their SIB ideas. It is therefore important that future stakeholders can learn from the experiences of their forerunners about when a SIB might, or might not, be feasible. This report aims to help with that. Both programmes mentioned above are being independently evaluated – the CBO Fund by Ecorys UK, in partnership with ATQ Consultants<sup>7</sup>, and the SIB Trailblazers programme by PIRU in partnership with RAND Europe<sup>8</sup>. Between them, these two research teams have examined 25 sites that were developing SIBs in both programmes – five that launched a SIB and 20 that did not. The research teams have collaborated to examine what factors were present in the five that launched and were absent in the other 20, to try to explain what factors may determine whether a SIB is launched.

**The research found four factors that seem to determine whether a SIB is launched, creating the LOUD model: Collective Leadership, clear Outcomes, shared Understanding and Data. In this report, we explain each of these four factors, and provide examples where they were critical in determining whether a SIB was launched or not. In the annex, we describe the research that underpins this model.**

These factors should serve as a useful framework for future stakeholders to assess whether their intended SIB is likely to be feasible. Further work would be required to test fully the feasibility of the SIB, and even if a SIB lacks these factors, it does not necessarily mean it cannot be set up (though the experience of others would suggest it is less likely to succeed). Moreover, in some circumstances a SIB was not commissioned even when it did have these factors (e.g. 'SIB F' in Table 1; see 'Developing the LOUD model' for the reasons why this SIB was not launched). However, this model will help stakeholders understand which aspects are missing, and where limited resource should be focused.

It is worth noting that the 25 SIBs examined were all locally-developed. The research did not include any SIBs commissioned by Central Government (for example through the DWP Innovation Fund or Youth Engagement Fund). Some stakeholders at the investor workshop commented that the factors may be different for Central Government SIBs, where the majority of the development work (e.g. in formulating the rate card) is done by Central Government.

<sup>7</sup> For more information on the CBO Fund Evaluation, visit: [www.biglotteryfund.org.uk/research/social-investment/publications](http://www.biglotteryfund.org.uk/research/social-investment/publications).

<sup>8</sup> For more information on the SIB Trailblazers Evaluation, visit: [www.piru.ac.uk/projects/current-projects/social-impact-bonds-for-health-and-social-care.html](http://www.piru.ac.uk/projects/current-projects/social-impact-bonds-for-health-and-social-care.html).

## 02

# Developing the LOUD model

The PIRU and Ecorys research teams undertook interviews with commissioners, service providers and investors across the 25 sites to understand the reasons behind the decision to commission, or not, the SIB. We explored the reasons across both PIRU and Ecorys cases for decisions not to commission SIBs and contrasted these factors with the situation of the SIBs which were commissioned.



When we explored economic imperative further one commissioner argued that the economic imperative could either facilitate or inhibit SIB development: restricted budgets could facilitate SIB development because of the need to make savings (indeed, this factor led to 'SIB F' in Table 1 being developed, but when the local authority was faced with an underspend the economic imperative was no longer there and so the SIB development ceased); equally, however, restricted budgets could inhibit SIB development because there is little capacity to develop new financing models. Because of the complex relationship between economic imperative and SIB development this factor was removed.

We mapped the presence of the four factors across the 25 sites, as shown in Table 1. We have anonymised the 25 sites. The sites are labelled by letter (ABC etc.). It is apparent from the table that the 20 sites that ultimately did not commission SIBs exhibited fewer of the LOUD factors than the five sites that did commission SIBs (with the exception of SIB F, explained above).

It is also worth noting that the absence of some of these four factors was not immediately apparent to local stakeholders; some only became apparent as the SIB development work progressed.

In the following section, we describe the four key LOUD factors and provide short examples taken from a selection of the sites to illustrate the importance of the factors in context.

<sup>9</sup>An intermediary is a party that offers intermediation services between other parties. In a social impact bond, that means an intermediary is not the commissioner, service provider or investor. Intermediaries have offered different services to the social impact bonds developed so far. See: [data.gov.uk/sib\\_knowledge\\_box/intermediaries](https://data.gov.uk/sib_knowledge_box/intermediaries).

ID	Collective Leadership	Clear Outcomes	Shared Understanding	Data
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**Commissioners that chose not to set up SIBs**

A	●	●	●	●
B	●	●	●	●
C	●	●	●	●
D	●	●	●	●
E	●	●	●	●
F	●	●	●	●
G	●	●	●	●
H	●	●	●	●
I	●	●	●	●
J	●	●	●	●
K	●	●	●	●
L	●	N/A	●	●
M	●	●	●	●
N	●	●	●	●
O	●	●	●	●
P	●	●	●	●
Q	●	N/A	●	●
R	●	●	●	●
S	●	●	●	●
T	●	●	●	●

**Commissioners that chose to set up SIBs**

U	●	●	●	●
V	●	●	●	●
W	●	●	●	●
X	●	●	●	●
Y	●	●	●	●

*Ratings are based on qualitative data collected in interviews with commissioners involved in the SIBs.  
N/A: the SIB was discontinued before possible outcomes were explored for the model.*

Key	
●	Yes
●	No

# 03

## Collective Leadership

A key factor in the establishment and commissioning – or not – of SIBs is the role of leadership. The academic literature is replete with competing theories of leadership which space does not permit us to review here. However, the work of Denis et al (2001)<sup>10</sup> is pertinent. These researchers highlight three distinct types of ‘collective leadership’, which they assert are important to influence change within and between organisations.

### 1

#### **Strategic**

Between members of the leadership team

### 2

#### **Organisational**

Between these leaders and their internal stakeholders

### 3

#### **Environmental**

Between the team and the organisation’s external environment and outside stakeholders\*

*\*This third element is particularly pertinent in the case of SIBs that require excellent relationships across different organisations.*

We know that SIBs are novel for most stakeholders; they can be complex to develop, and require the establishment of new relationships and trust between individuals and organisations that often share little prior collective experience (Ronicle et al, 2014<sup>11</sup>; Tan et al, 2015<sup>12</sup>). We often see that there are a small number of SIB champions in organisations (often at quite a senior level) who are keen to pursue the potential benefits of a SIB, but they may face resistance from fellow senior colleagues – hence the importance of each organisation (whether commissioners or providers) demonstrating collective leadership in this strategic sense. We suggest that where senior leaders in an organisation are not in harmony over the desirability of a SIB – development is likely to be stymied.

Assuming this first hurdle is overcome; resistance from elsewhere within organisations may be highlighted as the next leadership problem. SIBs may be seen by some members of an organisation in threatening terms. There may be a number of reasons why this should be so – firstly – SIBs are (by definition) novel and require new ways of thinking about existing problems which may be resisted by some staff. Secondly, they challenge the existing way of doing things – with implications for established relationships between, across and within organisations currently delivering services, with particular challenges for the quasi-market in health and social care and the underlying principle of ‘open competition’. Thirdly, there can be wider public apprehension around the inclusion of non-taxpayer financing for some of these services as highlighted by some stakeholder engagement events.

**It is important that senior leaders communicate clearly and effectively with staff throughout their organisations that are involved in early SIB development and ensure that all staff members are engaged and committed to the process. This sense of shared leadership through the organisation working towards an agreed and valued goal is important.**

<sup>10</sup> Denis, J. L., Lamothe, L., & Langley, A. (2001). The dynamics of collective leadership and strategic change in pluralistic organizations. *Academy of Management journal*, 44(4), 809-837.

<sup>11</sup> Ronicle, J. Stanworth, N. Hickman, E. Fox, T., (2014) Social Impact Bonds: The State of Play, Ecorys and ATQ Consultants, London. See: [www.biglotteryfund.org.uk/-/media/Files/Programme%20Documents/Commissioning%20Better%20Outcomes/SIBs\\_The%20State%20of%20Play\\_Full%20Report.pdf](http://www.biglotteryfund.org.uk/-/media/Files/Programme%20Documents/Commissioning%20Better%20Outcomes/SIBs_The%20State%20of%20Play_Full%20Report.pdf).

<sup>12</sup> Tan, S., Fraser, A., Giacomantonio, C., Kruihof, K., Sim, M., Lagarde, M., Disley, E., Rubin, J. Mays, N., (2015). An evaluation of Social Impact Bonds in Health and Social Care: Interim Report. Policy Innovation Research Unit (PIRU). See: [www.piru.ac.uk/assets/files/Trailblazer%20SIBs%20interim%20report%20March%202015.%20for%20publication%20on%20PIRU%20site%20April%20amended.pdf](http://www.piru.ac.uk/assets/files/Trailblazer%20SIBs%20interim%20report%20March%202015.%20for%20publication%20on%20PIRU%20site%20April%20amended.pdf).

Crucially, there also needs to be collective leadership across and between the different organisations involved in SIB development – this is often where the importance of a specialist intermediary or specialist advisor may be useful – as long as the intermediary is attuned to the goals of both commissioners and providers. SIBs are collective endeavours, based upon the development of partnership working. Leadership must be collective across these three dimensions: strategic, organisational and environmental.

### **Vignette 1 (contracted)**

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Whilst the text above highlights the importance of collective leadership, the role of individuals should not be overlooked. In one case where a SIB was commissioned, the vision of a key leader is cited as crucial by many informants. He had a passion for the intervention<sup>13</sup> and professional credibility, but he was also able to construct a tight knit senior leadership team in the central driving organisation (the 'strategic' element in Denis et al's terms) bring other stakeholders from the organisation along with him (the 'organisational' element in Denis et al's terms), and crucially, ensure that his vision for the service was communicated effectively beyond his organisation (the 'environmental' aspect in Denis et al's terms) to the other key parties involved in developing and subsequently delivering the SIB project.

### **Vignette 2 (not contracted)**

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In contrast to the example above, in a case, which ultimately was not commissioned, we identified an equally passionate leader who was able to develop a strategically important collective leadership role with her business partner and nascent provider organisation (both 'strategic' and 'organisational' elements in Denis et al's terms), but failed to cultivate this vision beyond her organisation to other partner organisations. The lack of shared leadership between providers and commissioners (the 'environmental' aspect in Denis et al's terms) around identifying and agreeing how to solve the local problem ultimately meant the proposed SIB was never commissioned.

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<sup>13</sup> An intervention is the activities undertaken with the intention of producing the desired outcome

# 04

## Clear Outcomes

Defining a very clear cohort of target beneficiaries, and choosing outcomes that are clear and attributable<sup>14</sup> to the intervention is an important part of the development process of any PbR contract, including SIBs. Ultimately, the commissioner needs to be satisfied that the outcomes are worth paying for, and the providers (and investors) need to believe that the outcomes are achievable.

The decision-making process about the outcomes relates to their function within the SIB model. It is different from a conventional service contract, which only needs to measure outputs from the service, such as number of contacts or appointments with a service user; whereas in the SIB payments are made for outcomes achieved. The outcomes function in a SIB is also more complex than a PbR contract, as there is an additional party (the investor) who needs to be satisfied that the outcomes chosen and defined by the contract suit their needs, and that the investor is comfortable with the level of risk associated with achieving the outcomes. It is not always possible to find outcomes that fit the SIB model. All of the SIBs (5) that chose to continue after the development grant included suitable outcomes; whereas, 15 out of the 20 that chose not to go ahead did not<sup>15</sup>. Overall, the analysis of the LOUD factors in the 25 SIBs indicates that it is quite challenging to set up a SIB if the outcomes are not appropriate. Outcomes can be more appropriate if they fulfil a number of criteria.

Firstly, it is essential that the added value of the SIB-funded intervention is calculated to a certain degree – i.e. outcomes that will be achieved over and above those that would have happened without the intervention. The decision to choose which outcomes most directly reflect this normally happens early on during the feasibility phase of the SIB development. With a credible intervention and a good level of understanding of the policy problem, then it is more straightforward to present a case for the chosen outcomes. However, if stakeholders know less about the intervention then they may need to conduct tests to ensure there is an empirical basis for the association between activities and outcomes.

Secondly, outcomes in the SIB need to be clearly defined and objectively measurable. It is much harder to reach an agreement between stakeholders if the outcome definition is too broad or the process for measurement is not reliable or widely used.

	Pros	Cons
<b>Small number of outcomes</b>	simplifies model and works well when the intervention is more structured and specific aims (e.g. MST).	Creates more risks as the SIB then becomes reliant on the performance of a small number of outcomes.  Can shift the balance towards process-related indicators...outcomes
<b>Large number of outcomes</b>	beneficial when the intervention is flexible and may achieve different outcomes with different beneficiaries.  Spreads the risks as outcome payments can be made even if the intervention fails to achieve all its states outcomes.	Adds to the complexity of the model.  Added burden on the providers who have to collect the data.

<sup>14</sup> Attribution is the ability to link a specified intervention with the achievement of a specified outcome.

<sup>15</sup> Two SIBs did not get as far as exploring their outcomes as the decision was taken not to pursue the project any further.



However, even with clear definitions and robust measurement, there may be differences in views on how many, and which, outcomes to attach payments to. There are arguments for and against including both a small and large number of outcomes in the rate card, and agreeing a set that satisfies all stakeholders can be difficult. Thirdly, the need to consider the demands of multiple groups means that some outcomes are less suitable for a SIB than others are. For example, in a number of SIBs being developed, the time lag between the intervention and outcomes being achieved was seen as too long, typically if it exceeds five years (though in some cases it was one year). This can be too long both for some commissioners (as it spans electoral cycles or budgeting periods) and investors (as it may be too long for them to wait for returns).

A solution to this can be attaching payments to intermediate outcomes<sup>16</sup> in SIB models that have a long timeframe to achieve their main outcomes. However, adding indicators increases the complexity of an already complicated model and there is an added risk that commissioners make payments on interventions that do not then achieve the intended outcomes. What is necessary is to ensure the rate card enables payments to be made in a reasonable time-period, whilst not incentivising providers to focus solely on intermediate outcomes without the ultimate outcomes being achieved. One workshop attendee felt this may require market testing with potential providers and investors, or be finalised during competitive dialogue. In some instances this balance could not be reached, which meant the SIB was not set up.

Finally, from the commissioner's perspective, the SIB is generally more attractive if the intervention can be linked to tangible efficiency gains (such as fewer referrals) or cashable savings within the wider system, though this was not always a determining factor for commissioners. This makes it easier to identify the money and quickly release the payment for investors if the outcomes are achieved. Some outcomes, such as preventing children from entering the statutory care system, lend themselves more to a SIB model for this reason because the costs averted (e.g. of residential or foster care placements) are straightforward to calculate and are usually cashable. If there is not a clear link to savings, then it may be harder for the stakeholders to agree to make outcome payments. The purpose of some SIB programmes (e.g. CBO, Life Chances Fund) is to provide some of the outcomes payments, in order to make the SIB financial case more attractive.

### Vignette 1 (contracted)

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In one contracted SIB, all parties felt that the outcomes were clearly linked to the intervention. Moreover, the primary outcomes were well defined, and demonstrably measurable by staff using independently collected data. In this SIB, payments were made over three years – a relatively short time span for a SIB – and paid out on a quarterly basis, minimising the potential risks for commissioners who might have been concerned about annual budget constraints. The commissioners expected this SIB to lead to better social outcomes for the client cohort but were aware that it did not necessarily produce cashable savings; however, there was a clearly demonstrated need for the service, which may explain how it was contracted despite not generating cashable savings.

### Vignette 2 (not contracted)

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One organisation considered funding a gang exit-service through a SIB once the current funding for the project ended. The aim of the service was to support gang members to exit their gang. However, they struggled to develop a set of robust outcome measures that they could objectively and easily measure and attribute back to the programme. They struggled to identify an objective and quantifiable indicator to measure young people exiting gangs. They then considered measuring reductions in levels of offending, but they were unsure as to what the outcome should be (for example whether it should be about reducing overall levels of offending or reducing the severity of offences caused). Their ability to measure reductions or how these would be attributed to the intervention would be difficult, not least because offences are not always recorded.



*Quantifying this area is really difficult... The SIBs I've seen have really nice measures around quantifying benefits – we couldn't do that.*



(Representative from organisation developing SIB)

## 05

# Shared Understanding

A crucial component in the development of a SIB is the establishment of a shared understanding of the policy 'problem', and how it can credibly be addressed, among commissioners, providers and intermediaries.

**To move beyond the early development and negotiations phase, it is important, but not always necessary, that the proposed SIB intervention meets the following criteria:**

- all parties have a shared understanding about how the policy problem can be addressed, that
- the proposed intervention is credible or knowledge-based, and
- it is seen as a viable option in the area where it is to be delivered.

If there is disagreement among commissioners, intermediaries or providers, and a view that an alternative option is available – potentially at a lower cost, it is less likely that a SIB will proceed.

This does not mean that the intervention has to be an accredited programme or even have a strong evidence base – some SIBs have been successfully initiated for bespoke interventions that would otherwise be difficult to contract for, or in order to test whether a novel or untested intervention is effective. It is however vital that the proposed SIB intervention, be it accredited or novel, is seen by local commissioners and providers as appropriate. Where the intervention has not been tested before, it is also important that all parties see the proposed SIB project as a viable option specifically in the local area, as local contextual factors can prove to be a powerful impediment to successful SIB contracting.

### Vignette 1 (contracted)

In one contracted SIB there was strong agreement from all parties that the proposed SIB addressed an entrenched social problem where the outcomes were aligned with the best possible outcomes for the proposed client cohort. The intervention's approach was supported by evidence from the United States that this was a promising and appropriate way to improve outcomes for the target population when compared to existing interventions which were widely regarded as not achieving sustained success. This project was contracted on the strength of a shared understanding of the policy problem, and a willingness to pilot the approach in the UK. This decision was bolstered by the fact that there would have been no comparable intervention targeted at this cohort if the SIB were not commissioned. The success of this project in being contracted is attributable to the strong commitment from central government, local commissioners, and service providers to the broader aims and objectives of the proposed SIB projects.

### Vignette 2 (not contracted)

In one area there was a common agreement amongst senior leaders in a children's services directorate within a local authority (LA) that the number of children being taken into care needed addressing. However, there was not a shared understanding around the underpinning reason for this problem, and therefore what the solution should be. One senior leader felt the LA needed to provide more therapeutic support to address why adults were causing abuse and neglect, and that a therapeutic intervention should be commissioned through a SIB. In contrast, another senior leader felt that they needed to focus on the support provided by the social workers within the LA's children's services. The LA decided to focus on the latter, and the SIB was not developed.

# 06

## Data

A substantial amount of data is required to develop a SIB. This is primarily because a SIB or PbR contract requires an estimate of what outcomes are likely to be achieved, on what scale and at what point. This is so the business case can be developed, and the commissioner can calculate what the potential outcomes are worth to them (i.e. the maximum they would be willing to pay). Whilst it is good practice for all new interventions to include this, interviewees reported that this does not usually happen to the degree that is necessary for a SIB or PbR contract. Therefore, the level of data required for a SIB or PbR is more than is usually used if the same service were commissioned through a more conventional contract.

Building the business case requires a calculation of the number of clients who will achieve the desired outcomes, the effect of those outcomes on current costs, the outcome payments that can be made, when payments should be triggered, and the amount of working capital (via social investment<sup>17</sup>) necessary to fill the gap in paying for delivery before the service starts to receive outcome payments. Stakeholders will also want to know how robust the evidence base is that underpins these estimates, in order to assess the level of risk of the outcomes not occurring.

### **In order to build the SIB business case, it is necessary to have data on:**

- The eligible cohort, including the size of the cohort, the outcomes they are currently achieving and the current cost of supporting them; and
- The outcomes likely to be achieved by the intervention, including when these would take place and for how long they are likely to be sustained.

Without these data, it is very difficult to develop the business case for a SIB, and 13 of the 20 areas that chose not to set up a SIB lacked the data to build a business case.

How robust the evidence base underpinning this needs to be will depend on the motivations of the commissioners and investors; some wishing to experiment with a new service may have an appetite for greater risk, and so would be willing to build a SIB based on limited evidence on the effectiveness of the intervention in achieving outcomes. It is for this reason that one of the SIBs that was launched was able to do so without a complete set of data to build the business case (at the time they did not know how the SIB would impact on the ultimate outcome they were hoping to achieve).

In contrast, others willing to take less risk may require a stronger evidence base and more certainty about the impact of intervention. However even if there is strong evidence for the effectiveness of the intervention, a SIB can still falter if good data on current costs are not available.

Some commissioners interviewed were trying to overcome the challenge of limited data by running a pilot project, through which they would gather enough data to develop a SIB business case. However, these pilots were too early on to judge whether this approach had succeeded.

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<sup>17</sup> Social investment is the provision of capital for the purpose of generating social as well as financial returns.

## Vignette 1 (contracted)

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In one of our sites, there was good, reliable data on the costs that the commissioners could save through the development of the SIB, allied with confidence in the evidence base for the intervention. This meant that a business case could be built that highlighted the requirements for all those involved to meet at all stages of the proposed intervention.

## Vignette 2 (not contracted)

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One LA was exploring the feasibility of running a SIB to prevent children in their early years going into care. However, the local authority did not have the data available to build the business case. Specifically, they did not know:

- How many families there were with children in their early years that were at risk of going into care. To gather these data they would need to match parent and child records across health and council systems, which they did not have the resource to do; and
- The current costs of supporting these families.

“

*We couldn't really confidently, for a big enough sample, show the trajectory against service delivery.*

”

(Representative from LA)

Because they lacked these data, and because of other factors, they decided to run the service within the LA rather than commissioning an external service through a SIB:

“

*In this way we can try things out as a pilot, and do the tracking work as we go... If some of it's not quite there we can still go ahead, but with a SIB we'd need it tied down and part of the contract.*

”

(Representative from LA)

## 05

# Conclusions

Two main conclusions stem from this research. The first is that having key advocates across all organisations involved in a SIB are essential for it to be set up. These advocates must share an understanding around exactly what the nature of the problem is that the proposed SIB will solve, *how* the SIB will tackle the problem, and why a SIB mechanism is best suited to doing so. This shared understanding must inform a *collective leadership approach* within and across these key organisations. This finding is perhaps not surprising, and is an important factor in developing any new project. However, this tends to be more complicated in a SIB, partly because the role of the investor adds another party into the relationship. Moreover, it is also affected by the fact that many of the SIBs examined required commissioners to be more reliant on the development work of advisors and service providers, which required a new way of working that all parties were not necessarily used to.

The second important point is that SIBs require a lot of knowledge, evidence and data in order to be built. For the local stakeholders who did not develop a SIB, this was not, in the main, because they were put off the idea of creating a SIB. Indeed, many were actively pursuing future SIB opportunities, and some that lacked the data to build the SIB business case were launching small pilots to gather the data, with the view to using this to build the case for a future SIB. As one interviewee commented:



*...we wouldn't rule SIBs out and we are actively looking for other places where they are relevant. So it hasn't turned us off SIBs, but it has opened our eyes to the challenges of getting them work.*



(Local commissioner)

Instead, many did not develop a SIB because they lacked the information that would have enabled them to build one. They need people that understand the model and who can develop it; they need evidence about the potential outcomes; they need to be able to measure outcomes; and they need data on the cohort that is going to be affected by the SIB. Whilst it can be argued that these are important for any project, the key distinction is that other schemes have the relative luxury to estimate these factors at the beginning and understanding can be developed as the scheme progresses; in contrast, these elements are essential at the outset of a SIB. And many local stakeholders do not have this information to hand. Moreover, local commissioners are going through a turbulent time and lack the capacity to gather this information, even when they receive sizeable grants from organisations, as was the case here.

Therefore, if SIBs are to become commonplace, local stakeholders need better access to this knowledge, evidence and data. There are a number of ways that this can be achieved. The first is for the information within current SIBs to be accessible so other stakeholders can replicate these SIBs. This already exists to some extent, through the Centre for SIBs<sup>18</sup>, Government Outcomes Lab (GO Lab)<sup>19</sup> and the numerous evaluations of SIBs taking place, including the ones involved in this report. However, we have also found that commercial confidentiality arguments have prevented information and good practice being shared. We would encourage this knowledge sharing to continue and increase. The second is for stronger central repositories of information, so that national information can be used when it is missing locally.

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<sup>18</sup> Visit: [data.gov.uk/sib\\_knowledge\\_box/home](https://data.gov.uk/sib_knowledge_box/home).

<sup>19</sup> Visit: [golab.bsg.ox.ac.uk](https://golab.bsg.ox.ac.uk).

Some already exist, and our previous research has found them to be helpful<sup>20</sup>, such as the Outcomes Matrix developed by Big Society Capital<sup>21</sup>, the Unit Cost Database developed by New Economy<sup>22</sup>, and the What Works Network<sup>23</sup>. Better access to routine administrative data is needed so performance managers and evaluators can build hypothetical counterfactuals, to evidence SIB outcomes in the absence of control groups. We again would encourage these developments to continue.

Social impact bonds are a part of a wider development to use more evidence and information in the delivery of public services. However, this research suggests that in order for them to be established in the first place, greater evidence and information are necessary. We have outlined here what we believe is necessary to support the development of SIBs, primarily centring on the better collection and sharing of data that better enable business cases to be built.

We bring together these findings and offer a number of recommendations for local commissioners as well as for central government and SIB programme funders. However, it is worth noting that it is too early to state whether SIB-financed programmes are, or are not, the best options for commissioners in any and all circumstances; the lack of quantitative data around the superiority or otherwise of SIB-financed programmes remains problematic. In other words, the jury is still out with respect to the effectiveness of SIBs. Nevertheless, SIBs do offer commissioners new and innovative ways to consider how to tackle existing problems, and in that spirit, should commissioners wish to explore SIBs further, we hope our recommendations will help them to do so in a practical way.

FOCUS	BUILD	SHARE
<p><b>For local commissioners, service providers and intermediaries involved in developing SIBs</b></p>	<p><b>For Central Government</b></p>	<p><b>For funders of SIBs programmes</b></p>
<p><b>Focus on ensuring the four LOUD factors are in place when developing a SIB:</b> The evidence from a sample of the first locally-developed SIBs suggests that these four factors play a strong role in determining whether a SIB is launched. Those wishing to develop a SIB could examine whether these factors exist in their SIB and, if not, either focus on ensuring they are on reconsider whether the SIB is feasible.</p>	<p><b>Continue to build data repositories:</b> If SIBs are to become commonplace, local stakeholders need better access to evidence and data. We have detailed here some of the developments taking place in Central Government to achieve this, and we would encourage these to be continued.</p>	<p><b>Insist on sharing of data:</b> Commercial confidentiality arguments have prevented some information and good practice being shared, which we believe will inhibit the ability of future SIB developments to replicate and build on previous SIBs. We would encourage programmes that are co-funding SIBs (like CBO and Life Chances Fund) to insist that all data generated as a part of the SIB, including financial returns, are shared publicly.</p>

<sup>20</sup> For example, Ronicle et al, 2014. *SIBs: The State of Play*.

<sup>21</sup> Visit: [big-society-capital.com/impact-matrix/filter/206](https://big-society-capital.com/impact-matrix/filter/206).

<sup>22</sup> Visit: [neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/unit-cost-database](https://neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/unit-cost-database).

<sup>23</sup> Visit: [gov.uk/guidance/what-works-network](https://gov.uk/guidance/what-works-network).

# Annex: Methods

## Aims, objectives, methods and data collected in the SIB Trailblazers evaluation (PIRU)

In 2013, the English Department of Health's Social Enterprise Investment Fund (SEIF) provided seed funding for nine SIB Trailblazers to explore the potential for SIB development in health and social care. The SEIF had been established in 2007 to facilitate the development of the social enterprise market in health and social care. SEIF funding allowed the nine potential projects, often led by service providers at the invitation of commissioners, to gain access to intermediaries, new actors with specialist knowledge in SIB development offering advisory services, for the design and negotiation of potential SIBs. The Policy Innovation Research Unit (PIRU) based at the London School of Hygiene & Tropical Medicine in collaboration with RAND Europe has been evaluating the development of these Trailblazer projects since their inception. This research is funded by the DH.

### **The objectives of the evaluation of the Trailblazers are to:**

- Develop a conceptual framework to help understand the potential role and effects of SIBs compared with other approaches to paying for public services.
- Describe and assess the development of the nine SIB Trailblazers in order to identify obstacles and enabling factors in finalising SIB contracts.
- Describe and characterise the signed SIB contracts in order to unpack the implications in terms of incentives and risk-sharing arrangements for the different parties
- Assess, if feasible, in a second phase, whether and how the SIB contract mechanism enables achievement of better outcomes than alternative funding mechanisms, and if so, to explore the ways through which such benefits appear.

This research is primarily qualitative – drawing on around 150 interviews with key informants, documentary and contract analyses from the respective sites. An interim report was published in the Spring of 2015 and the final report is scheduled for the Autumn of 2017.

### **Broad aims, objectives, methods and data collected for ECORYs work**

The CBO Fund is funded by Big Lottery Fund, with a mission to support the development of more SIBs in England, in order to enable more people, particularly those most in need, to lead fulfilling lives, in enriching places and as part of successful communities. The Fund has provided 65 grants to areas to develop SIBs, and aims to provide top-up funds to cover some of the outcomes payments of locally commissioned SIBs. Ecorys UK are undertaking the evaluation of the CBO Fund, in partnership with ATQ Consultants. The evaluation is tracking the funded SIBs over their lifetime for nine years.

### **The evaluation focuses on the following three areas:**

- Advantages and disadvantages of commissioning a service through a SIB model; the overall added value of using a SIB model; and how this varies in different contexts.
- Challenges in developing SIBs and how these can be overcome.
- The extent to which CBO has met its aim of growing the SIB market in order to enable more people, particularly those most in need, to lead fulfilling lives, in enriching places and as part of successful communities, as well as what more the Big Lottery Fund and other stakeholders could do to meet this aim.

The main focus of the evaluation is 'in-depth reviews', visiting ten SIBs at different points in their development. To date, three in-depth reviews have begun: Ways to Wellness, Reconnections and the Mental Health and Employment Partnership (MHEP) SIBs. The evaluation team also undertook interviews with local areas that received a development grant to test the feasibility of a SIB, but then decided not to develop their SIB, in order to understand the reasons why. In total, the evaluation team interviewed 15 commissioners who chose not to set up SIBs. The findings from the in-depth reviews and the consultations with 15 commissioners have been used for this report.

