







Social Impact Bonds: from Myth to Reality East of England Regional Conference

25th January 2018





Cllr Keith Kiddie

Chair of the Business & Property Committee, Norfolk County Council





James Magowan

Senior Policy Advisor, Centre for SIBs, Department for Culture, Media and Sport



Agenda for the day



- 10.00 Welcome and opening remarks from co-hosts
- 10.20 Some theory. GO Lab
- 11.00 Learning from current practice.
 - Manchester Treatment Foster Care SIB, Jock Rodger West London Zone Collective Impact Bond, Nigel Ball
- 12.15 Some more theory. GO Lab
- 12.45 Lunch & networking
- 13.30 Workshop sessions:
 - 1. Deciding if a SIB is feasible Andreea Anastasiu, GO Lab.
 - 2. Developing SIBs Graham Phillips, Norfolk CC; Andrew Cuthbertson, Suffolk CC
- 14.30 Social investment and the role of social investors in developing a SIB project. *Neil Stanworth*, ATQ Consultants, and Andrew Levitt, Bridges Fund Management
- 15.30 Next steps & closing remarks
- 16.00 Close

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About the GO Lab





About us

Joint partnership between UK Government & Oxford University

Established in 2016

Based at the Blavatnik School of Government, in Oxford Centre of academic research and practice with a mission to improve the provision of public services to tackle complex social issues, with a focus on outcome based models



Problem statement

There is room to improve the way government commissions public services in order to deliver greater social impact and value.

(focusing on those that tackle complex and social issues across health, social care, criminal justice, employment and education)



Impact

Commissioning is more efficient and effective, delivering additional social impact and value.



Strategy

Research

Generating, synthesising and communicating knowledge for practitioners and academics

Advise

Developing commissioners' skills through learning opportunities and advice, and through connecting people and nurturing peer-to-peer network.

Connect

Raising awareness and debate by convening academics and practitioners, celebrating good practice and via public communications



Support available from GO Lab

Enhance knowledge amongst commissioners & related professionals

Facilitate peer learning between commissioners

Reduce technical complexity of new commissioning approaches



Support available from GO Lab

Knowledge Hub golab.bsg.ox.ac.uk

Communities of practice (peer learning)





C Secure https://golab.bsg.ox.ac.uk



The Basics Technical Guides Commissioners' Journey Projects Publications Library

About us News Events

The GO Lab is a centre of academic research and practice for outcome based commissioning & social impact bonds

This is our digital hub for resources and insights from across this emerging field





Event

How Social Investment makes a SIB a SIB (and why commissioners should care) > ☆

Blog Get advice O

'How to' guides





- Feasibility assessment
- Procurement
- Setting & measuring outcomes
- Contracting and governance
- Evaluation

All available online at: golab.bsg.ox.ac.uk/technical-guides



The context of SIBs



How did we get here?



Central gov in order to a and control expenditur National Health Service Act			allow the p l of public	the NH PbR (o				First SIB launched in the UK Launch of Big S (with specific p grow the socia market) Cabinet Office launches Cent Social Impact B			n specific pu v the social i ket) net Office ches Centre	urpose to l investment Over 30 SIBs re for launched in the LIK				
1942	1946	1948	1960s -70s	1980s -90s	1991	1997	2000	is 20	009	20 Gov		2011 es strateg	2012 y to grow	2010s	2015	2016
National Assistance Act Beveridge report lays out the principles of the welfare state				lic Manager	nent grov	wth of priva	abour reforms, incl. :h of private sector sion in the delivery of			social investment market <i>Open Public Services</i> : Gov sets out visio to use outcome based commissioning						GO Lab is launched
			reform incloutsourcing as provisi			lic services Go a r				DWP Work SIBs as Programme launched			nched V	Yarious SIB o unds launche		LCF Fund launched

Commissioning landscape



Shift from feefor-service to outcomes-based payment

Reduction in public spending

Increase in social impact investing

Political support for social investment and SIBs

Cross-sector partnerships to tackle complex social issues Desire for better use of non-profit providers

Devolution of certain responsibilities to local areas

What are SIBs?









Figure 1: Number of UK SIBs over time, by lead commissioner and scaled according to contract value (£)



SIBs in the UK



Figure 2: Proportion of UK SIBs by policy theme



UK Government outcomes funds for SIBs



DWP Innovation Fund 2012-15	Rough Sleepers 2012-15	Youth Engagement Fund 2014-18	Fair Chance Fund 2014-18	DfE Innovation Programme 2016-	Rough Sleepers 2016-	Social Outcomes Fund/ Commissioning Better Outcomes 2013-	Life Chances Fund 2016-
DWP	GLA	DWP	DCLG	DfE	DCLG	Cabinet Office/ Big Lottery Fund	DCMS
NEETS	Homeless	NEETS	Homeless young people	Care leavers	Homelessness	Complex needs	Complex needs
Attendance Behaviour Qualifications; Employment	Stable accommodation Volunteering and training Employment	Volunteering and training Employment	Stable accommodation Education Employment	Qualification and training Accommodation Employment Stability and wellbeing	Stable accommodation Employment Mental and physical wellbeing	Project defined	Project defined

Rate Card



Why use SIBs?



Some ways of contracting



Service contract



Payment by results



Two key mechanisms: outcomes payment & risk transfer







Collaboration: Peterborough One Service SIB



Voluntary sector providers in Peterborough 'ONE service' Through the gates* Health Housing Social Services Law and advocacy

Voluntary sector providers by International Classification of Non-profit Organizations, provided by NCVO *Through the Gates is a new CIC and could not be classified by ICNPO

Overview

- This SIB was set up to prevent reoffending by providing rehabilitation support in the community.
- The One Service provided a holistic, integrated service delivery by linking multiple providers into a single service. The service included housing assistance, drug and alcohol treatment, employment assistance, parenting assistance, and mental health support.

Prevention: Essex MST SIB



Overview

- Increasing numbers of looked after children
- High costs of residential care
- Staying in care is associated with poor outcomes for the children in areas such as education, offending and wellbeing
- Multi-Systemic Therapy (MST) is an evidence-based programme that delivers family therapy in the home through highly qualified therapists over three to five months with the aim of keeping families together and avoiding out-of-home care.



Innovation example: Ways to Wellness SIB



Overview

- People from disadvantaged backgrounds more likely to suffer with long-term health conditions (LTC)
- Enabling people with LTC to self manage their condition can improve their life quality and reduce demand for health and care services.
- Ways to Wellness a social prescribing intervention targeting people aged 40-74 living in areas of high socio-economic deprivation who have long term health conditions. One of the first UK organisations to deliver a 'hub' model of social prescribing on a large scale.





SIBs are still relatively new – academic evaluation suggests that the approach is promising, but it is not yet proven.



The GO Lab has conducted a systematic review of *all* available evaluation material on UK SIBs (**33 studies reviewed** – 18 qualitative; 10 mixed method; 5 quantitative)

Evaluations to date assess the impact of the intervention rather than commissioning structure

So whilst some SIBs have delivered improved outcomes, we don't know much the SIB structure contributed to this. It is reported that some of the work would not have happened at all were it not for a SIB.

Lessons learned



Basics

- ✓ Make sure a SIB is the best method of delivering a service
- ✓ Ensure goals are clearly expressed and shared among stakeholders
- ✓ Ensure stakeholder roles are clear

Technical bits

- ✓ Plan early for the administrative burden of data collection, particularly for providers
- ✓ Clearly define cohort/eligibility requirements
- ✓ More emphasis should be placed on curtailing perverse incentives
- ✓ Ensure outcomes and payment mechanisms are clear

Nature of the relationship

- ✓ Funding should be suitably flexible to aid providers and meet beneficiary need
- ✓ Cooperation and partnership building is essential to SIB success
- ✓ Shared learning is an important but often overlooked benefit of SIBs



Ask questions at slido.com #SIBs







Case study 1 Jock Rodger, Manchester





Social Impact Bonds 'a commissioner's view'

Jock Rodger

Formerly Strategic Lead Commissioner Manchester City Council



- Why did Manchester City Council get involved in a SIB?
- Context
- Social Outcomes Fund
- Ideas
- Decisions



Strategic background



- Central government policy
- Local government policy
- Inspection outcomes
- Horizon scanning







- Politics / politics
- SMT
- DMT(s)
 - Performance measurement
 - Data reporting
 - Contract management


Planning



- Long lead times for new initiatives
- Buy-in at all levels needed (both strategic and operational)
- Partnership involvement
- Referral pathways
- User engagement







- Long term budget planning / SIBs will span multiple years
- Budget pressures
- Accounting practice



Procurement



- What is to be procured?
- Why are we needing to formally procure?
- How are we going to procure?
- Any issues? E.g. TUPE



Capacity



- Internal staff 'churn'
- Staff move on
- Directorate priorities
- Competing priorities
- Staff 'views'







- New / different
- Potential risks e.g. reputational
- A distraction
- Not serious because we aren't paying!





- These are slow moving 'beasts'
- Difficult to brigade with other planning exercises element of guesswork







- The contract
- Agreeing clear payment points
- How to allow change and contractual evolution



Concluding thoughts



- The Successes
- The Challenges
- The Learning





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West London Zone, Nigel Ball





Identify: proactively seek the children at risk





Collect data and target children showing concerns around:

Academic progress

Significant time out of the classroom (poor behaviour and/or attendance)

Physical health

Lack of exercise, poor nutrition, risky behaviours (sex, substance misuse)

• Wellbeing

Stress, anxiety, depression or other mental ill health

- Peer relationships Including risk of being bullied or bullying
- **Parental involvement** In education and school

Identify: proactively seek the children at risk

STEP 1: Generate a long list of pupils with multiple key risks

Rank children by a <u>count</u> of the following priority risks:

- School Attendance
- English Attainment (Reading & Writing in Primary)
- Maths Attainment
- Strengths and Difficulties (Full SDQ)
- School Engagement
- Parental involvement in education

STEP 2: Rank pupils by considering their wider risks

Within priority ranking, rank based on a <u>count</u> of secondary risks:

- Insufficient exercise
- Risky health behaviours e.g. substance misuse
- Offending behaviour
- SDQ Emotional Wellbeing
- SDQ Peer Relationships
- SDQ Conduct
- SDQ Hyperactivity
- Wellbeing
- Interaction w/ antisocial peers
- Parents' family management
- Poor parental attachment
- Bullying victimisation
- Lack of significant adult
- Child's social support
- Community environment
- Overcrowding
- Demographic factors (IDACI, IMD, FSM, SEN, EAL)

STEP 3: Agree cohort to target with input from schools

In partnership with schools, decide final list taking into account:

- Additional context from teachers and staff
- WLZ exclusion factors, such as:
 - Statutory attendance issues (<80%)
 - EHC plan
 - CAMHS involvement
 - Criminal justice system involvement
 - Severe addiction
 - Imminent LAC transition
 - Statutory agency involvement
 - Serious disability

Key to information sources:

- School admin data
- WLZ My Voice Survey information
- School discussion

Act: Bespoke package of support from partnership of local charities





Act: Link Worker assigned to each child and family



(school, parent, child, partner)



Ensure supports compliments school

Monitor: Data system and tracking

Start of the year	Who are we going to work with?	School admin data, WLZ survey data
Every day/week:	How are we working with the cohort?	Link Worker data, partner data
Every term:	How is our cohort progressing?	School data
End of the year:	What was our impact?	Putting all the data together

West London Zone Data Tracking App





Case study



Financing model



- Local co-commissioners for school age children
- Public and private money
- All commissioners pay together for each named child
- Outcomes contract, paid on results
- Working capital from Bridges Fund Management
- Risk share





Ask questions at slido.com #SIBs







What makes a good SIB?



The ideal SIB design





- Tightly defined eligible cohort
 - Clear, objective criteria
 - Understanding of how far participants are from the desired outcomes
 - Independent referral / identification mechanism

. Accurat<mark>e price</mark>-setting of outcomes

- Robust estimate of likely level of benefit vs what would happen anyway ("deadweight")
- A way to get confidence that any outcomes are caused by the intervention ("attribution")

Alignment between payable outcomes and policy objectives

- Logical link between activity, outputs and outcomes
- Adequate period of time for tracking
- A way to tell if the effect has 'stuck'

Whilst it is not practical for these aspects to be perfect, commissioners should focus on them to avoid perverse incentives for providers



After lunch – workshop sessions



1. Deciding if a SIB is feasible – Andreea Anastasiu, GO Lab. (Old Hall)

2. Developing SIBs – Graham Phillips, Norfolk CC; Andrew Cuthbertson, Suffolk CC; Nigel Ball, GO Lab. <u>(Chapel Box)</u>

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Lunch break





Workshop sessions



1. Deciding if a SIB is feasible – Andreea Anastasiu, GO Lab. (Old Hall)

2. Developing SIBs – Graham Phillips, Norfolk CC; Andrew Cuthbertson, Suffolk CC; Nigel Ball, GO Lab. <u>(Chapel Box)</u>

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Break Out session 1: Deciding SIB feasibility



	Define the problem	Suitability of OBC	Define the cohort	Potential intervention	Internal capacity & commitment	Market capacity & commitment	Defining the outcomes	Scale, time & value	Feasibility established
Commissioner Actions	Locate good quality data that defines impact and cost of the problem	Assess suitability of the problem against OBC approach	Establish the criteria for defining the cohort	Evaluate potential interventions	Assign senior lead and secure stakeholder commitment	Test capacity and experience in the market	Define the primary outcomes	Weigh up the value of the OBC against time to implement	Consider the relative benefit of OBC against other options
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Considerations	 ✓ Ensure data will enable the measureme nt of a counterfact ual ✓ Look at direct and indirect costs ✓ Consider the impact on other commission er budgets ✓ Check the overall cost of the problem exceeds a viable minimum 	 ✓ Clear & measureable outcomes ✓ Clear eligibility ✓ Freedom to operate ✓ Response to financial incentives ✓ Outcomes achieved in 3-5 years 	 ✓ Service users with negative outcomes that can be improved ✓ Definition is clear & beyond dispute by either party ✓ Ensure that there is an accurate forecast of future need across a contracting period of 3-5 years 	✓ Viable and credible intervention exists	 ✓ Ensure leadership by an officer with delegated authority of leadership team ✓ Is there commitment from key decision makers and stakeholders ? 	 ✓ Is there an established delivery market? ✓ Or is there capacity and willingness from provider (s) to co-invest in developing a new intervention ? 	✓ Test whether there is a broad consensus around the outcomes of value to the different commission ers involved.	 Decide whether to define a rate card or use competition to determine value Value of grants available Factor in the developmen t period prior to implementat ion against need for delivery 	 Consider whether there are appropriate alternative means of commissioni ng the services than using OBC



Break Out session 2: Developing a SIB discussion with Norfolk and Suffolk CCs



	Analysis of cohort	Develop an outcomes framework	Payment mechanism
Commissioner actions	Develop a detailed understanding of the target cohort	Develop an outcomes framework that reflects priorities & underpins payment terms	Create payment terms that represent best value for money
	{ (\$) }		20-68
Considerations	 ✓ Analysis of case records & other sources to capture range of needs & types of service users; ✓ Segmentation & typologies of target cohort; ✓ Objective criteria for identifying the cohort; 	 ✓ Types of outcomes (hard, soft, binary); ✓ What outcomes would have happened anyway? ✓ Attribution; ✓ Metrics; ✓ Data availability; 	 ✓ Timing of outcome payments; ✓ Optimum mix of payment types (i.e. outcomes, fee for service); ✓ Evidence required to trigger payment and data required;



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Social investment & the role of social investors

Andrew Levitt & Neil Stanworth





Why choose a SIB approach? Neil Stanworth, Director ATQ



Findings from CBO evaluation

Commissioners



Which aspects of SIBs do you feel your organisation does not understand?



Service providers

Source: Commissioning Better Outcomes: Update report December 2016

The survey found that misunderstanding of investors and their motivations and expectations is the single biggest issue for SIB commissioners and equal first for providers.

Ways to contract for social interventions



Fee for service contract

Outcomesbased FFS contract Payment by results contract

SIB-type contract

Risk stays with commissioner

Focus on inputs and contract compliance

No investor needed

Risk stays largely with commissioner Focus on outcomes and contract compliance No investor needed

(Some) financial and operational risk passes to provider Payment link drives outcomes Investor not that motivated to achieve outcomes

Operational risk with provider Financial risk with investor Payment link drives outcomes Investor very motivated to achieve outcomes
Payment by Results vs SIBs



Payment by results contract

PROs

Easier to manage Can work well if you trust the provider to deliver

CONs

Limits market to larger providers Limits risk but does not always drive performance

SIB-type contract

Allows more providers to bid Investors incentivised to drive performance Likely to be more complicated Potentially higher management costs

Why is the SIB investor more committed?





Balancing risk to you and the investor

Greater risk to investor

- No guarantee of referrals
- No/low early payments
- High performance requirement at 'break even'
- Low flexibility to change contract variables
- Too much payment for harder outcomes

 Contracted minimum referrals

Greater risk to commissioner

- High payment for early outcomes
- Outcomes easy to achieve

OUTCOMES

- Flexible contract terms
- Too much payment for easy outcomes

Engaging with investors



Recommended

- Consult to test assumptions during development
- Allow to engage with decision makers
- Ensure flexibility and time to engage providers during procurement
- Look at the whole deal cost, not notional 'returns'

Optional

- Involve directly in co-design of contract
- Pre-procure investor and jointly select providers
- Allow investor to manage contract delivery



Ask questions at slido.com #SIBs







Andrew Levitt, Bridges Fund Management





UK Social Impact Bonds – Better Outcomes, Better Value

January 2017



Why use a social outcomes contract to deliver a project? A 'social outcomes contract' is typically a more extreme form of 'payment by results'

Social outcomes contracts can help commissioners to:

1. Launch a new service – and only pay for what works

2. Drive better outcomes from your existing services

3. Co-ordinate with other departments (or outcomes payers) to contribute to payments for outcomes successfully achieved

Why raise dedicated project finance (using a SIB)?

Some payment by results contracts have performed badly, if not appropriately financed

Social outcomes contracts (or PbR) can sometimes fail:

 Some providers cannot bid – if they can't raise the working capital needed to 'pre-finance' the project delivery

2. Some providers might bid, but subsequently miss their targets, and cut back on service provision to save costs

3. Some providers might not take the risk seriously (or underestimate the level of delivery risk in achieving the outcomes)

Case study

In a SIB, investors can invest more to fix the issues, and drive best impact from the project

Foster care	Bridges Fund Management Fosteringpeople
Contracts	Birmingham City Council
Results	Contract extended
Learnings References: http://reescentre.education.ox.ac.uk/wor dpress/wp- content/uploads/2017/04/StepDownBirmi ngham_Prelim- Findings_ReesCentreApr2017.pdf https://www.theguardian.com/social- care-network/2017/oct/12/council- projects-budget-bonds-third-party- funding	 Open procurement, so commissioner is confident of the best deal Diligence previous issues, and invest in improvements: Introduced a 3-month matching period for foster carers Invested in 'care-experienced mentors' to the programme Created centrally-managed consortium of 3 fostering agencies Paid for an additional social worker into Birmingham Results: Significant improvement in children's lives (Oxford Uni report) OFSTED highlighted it as example of best practice in fostering £17m cost savings forecast for Birmingham



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Support available from the GO Lab and others





Support available from the GO Lab

Advice Surgeries

 The GO Lab team are available on Tuesday mornings to provide advice and support via phone or online. Book at <u>https://golab.bsg.ox.ac.uk/advice-surgeries</u>

Access information and resources

 Our website includes technical guides, introductory materials, a publications library and a projects database. <u>https://golab.bsg.ox.ac.uk</u>

Events & webinars

 We host events and training sessions for officials in commissioning authorities. https://golab.bsg.ox.ac.uk/events/



Support available from GO Lab

Knowledge Hub golab.bsg.ox.ac.uk

Communities of practice (peer learning)





Support available from others

Centre for Social Impact Bonds

 As part of the Office for Civil Society at DCMS, it provides expert guidance on developing SIBs, shares information on outcome based commissioning and supports the growth of the social investment sector

Good Finance

provides information on social investment for charities and social enterprises.

BLF directories of SIB investment funds & advisors

Both documents can be downloaded from the GO Lab Publications Library



slido.com #SIBs





Next steps (peer network) and closing remarks



Stay in touch







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