

Social Impact Bonds: from Myth to Reality

East of England Regional Conference

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Questions & Answers

1. Where do I start in setting a SIB up?

If you are interested in pursuing a SIB either as a commissioner or a service provider here are some suggested first steps:

- Check the [feasibility of developing a SIB](#) for the social issue you are seeking to address. Our [Commissioning Journey](#) provides a step-by-step guide to all the key actions and considerations required throughout the development of a social impact bond. [Book an advice session](#) with the GO Lab team to discuss your project proposal.
- Find out whether there are government outcome funds available. The Government has sought to catalyse the development of scalable and replicable SIBs, by making available to Local Authorities [outcome funds](#) such as the Life Chances Fund. The Fund is now closed for applications, but there may be future outcomes funds available in the future.
- Talk to specialist advisors or intermediaries: the GO Lab website hosts directories of [advisors](#) and [social investment funds](#). Early conversations about ideas are recommended and welcomed by organisations and it starts relationships that will be crucial to the successful development of the project.

2. How can officers in local authorities get buy in from their senior management and political support for feasible SIB proposals?

There are a number of ways in which you might secure or strengthen the support from your senior management or political leadership for your SIB proposal:

- Ensure they have a robust understanding of SIBs and their core operating mechanisms. We have developed a [briefing note](#) to provide senior managers in local government with a high-level overview of social impact bonds and address some of the most frequently asked questions in relation to this approach to commissioning public services. Further resources are available on the GO Lab [website](#).

- Engage them early on in the process and make sure you keep them informed throughout the development process. Consider whether it would be appropriate to include senior management in your steering group and what other internal reporting/governance mechanisms you might tap into to keep them informed.
- Ensure the SIB project is aligned with the strategic priorities of your organisation.
- Articulate the rationale for using a SIB, rather than other commissioning approaches. A step by step guide to establish whether your project is feasible is available [here](#). The initial feasibility work will then help you build a [robust business case](#) that will be instrumental in securing approval from key decision makers to procure and implement the service.

3. What is the optimal scale for a SIB?

There is no absolute rule as to the optimal scale for a SIB. As a general rule, the overall value of the service ought to be sufficient to offset the costs associated with set up, management and governance of the contract. To achieve economies of scale and lower running transactions costs, delivering SIBs at larger scale might be a more efficient approach and in this context it is worth considering opportunities for bringing in multiple commissioners (for example, see [MHEP](#) or [Positive Families Partnership](#)).

4. Is there an easy access database of all past, current and in-development SIBs?

The GO Lab website provides a [database](#) of past and current UK Social Impact Bonds. A global database of impact bonds is available on the Social Finance UK [website](#).

5. When will SIBs be feasible without central government support?

The Government seeks to catalyse the development of scalable and replicable SIBs, by making available to local authorities outcome funds such as the Life Chances Fund. At the same time, a small number of SIB projects have been launched without Government support, such as the Essex MST SIB and, more recently, the Single Homeless Prevention Service in [Brent](#).

6. How might this model work for local authorities who don't have social care responsibilities (as this seems to be a major focus for local authorities currently using this approach?)

The applicability of the SIB model is not limited to social care responsibilities. In the UK SIBs have been used for a range of policy areas, including but not limited to social services:

- Reoffending
- Youth engagement & unemployment
- Mental health
- Social prescribing
- Homelessness and housing

Globally, SIBs have also been used for improving educational outcomes, workforce development, refugee integration and green infrastructure. See our projects [database](#) for further information on past and current UK Social Impact Bonds.

7. How easy is it to change priorities during the SIB e.g. if the outcomes are not being achieved or policy changes?

This will depend on the contract(s) in place. As a general principle, SIBs are meant to offer more flexibility in delivery than more traditional contracting models, which should reduce the need to change contract terms. Nonetheless, we would advise that clear change control procedures are described in the contract, as either party may want to make adjustments that are not anticipated at the start.

8. Can you please describe the risks and benefits to providers and what might be a barrier to providers engaging in these programmes?

One of the originating policy arguments for SIBs is that they level the playing field for voluntary, community and social enterprise (VCSE) organisations in delivering payment by results contracts. In other words, SIBs enable charity organisations to take on payment by results contracts, whilst transferring (at least some of) the financial risk on to the social investors.

Other potential benefits for providers include:

- Ability to access upfront capital to scale interventions
- Opportunities to develop new services and generate evidence of impact
- Greater flexibility in delivering and adapting services
- Receiving a committed, multi-year funding stream

- Working with consistent goals and support to build evidence base

As a form of contracting, social impact bonds can be technically challenging to develop and can place additional demands on both commissioners and providers. As such providers interested in developing SIBs might wish to consider:

- their internal capacity for setting up and delivering a SIB, including the rigour and analytical discipline required by a SIB
- the nature of the service they are proposing (what is the evidence base? Are you looking to test an innovative approach or scale up a successful programme? Can the impact of the service on a well-defined population be objectively measured within a set timeframe?)
- whether they can't fund the programme costs without borrowing or seeking investment, and want to transfer the risk of up-front investment
- whether another organisation (e.g. local authority) might be prepared to pay for the outcomes that the programme delivers.

9. What learning has been emerged from the SIBs practice so far?

Over the past few years, a number of evaluations and reflections on lessons learnt have been published. A comprehensive database of recent publications is available on the GO Lab [website](#). Particularly helpful reports include:

- [The LOUD SIB Model \(2017\) PIRU, ATQ Consultants, Ecorys, Big Lottery Fund](#)
- [Better outcomes, better value: the evolution of social impact bonds in the UK \(2017\) Bridges Fund Management](#)
- [The potential and limitations of impact bonds \(2015\) Brookings Institution](#)
- [Individual evaluations of SIB projects or SIB outcomes fund](#)

We have summarised below some of the key learning from the existing literature:

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

10. How much return on investment does a commissioning authority have to pay? For social investors, what's the balance between the social and the financial return?

Social investors typically seek blended social and financial returns, and the potential to make a profit on the investment is intended to compensate investors for the financial risk they take on under a SIB model.

SIB commissioners can put a cap on the maximum amount of outcome payments they are willing to make. Rates of return vary widely, and the government is committed to encouraging more transparency in the system around the rates of return. For more on social investment, please visit the [GO Lab website](#).