Commissioning Better Outcomes Evaluation

3rd Update Report

Full Report

May 2022

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Contents

Executive Summary

The Commissioning Better Outcomes (CBO) programme is funded by The National Lottery Community Fund. CBO originated in 2013 with a mission to support the development of more social impact bonds (SIBs) and other outcomes-based contracting[1] models in England. This report is the third Update Report of the independent CBO Evaluation, undertaken by Ecorys in partnership with ATQ Consultants (ATQ). The report primarily provides a baseline comparative analysis of the nine projects that feature as in-depth reviews in the evaluation, and also provides updates on the progress of those projects that are over half-way through delivery.

Introduction

A SIB is essentially a type of payment by results[2] (PbR) contract. Like other types of PbR, a commissioner[3] (usually one or more public sector bodies) agrees to pay for results delivered by service providers[4], and unless those results are achieved, the commissioner does not pay. However, there is no generally accepted definition of a SIB and their nature varies substantially. Furthermore, some projects in CBO (e.g. Positive Families Partnership) have moved away from them term 'SIB', and are using other terms, such as 'Social Outcomes Contracts'. In this report we refer to 'projects' (individual outcomes-based contracts) and project 'families' (a group of very similar outcomes-based contracts). In the main we compare across the nine SIB families that feature as in-depth reviews (or 'in-depth review families').

The CBO programme launched in 2013 and closed to new applications in 2016, although it will continue to operate under grant management until 2024. It originally made up to £40m available to pay for a proportion of outcomes payments for SIBs and similar outcomes-based contractual models in complex policy areas.

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[1] Outcomes-based contracting describes a way to deliver services where all or part of the payment is contingent on achieving specified outcomes. The nature of the payment mechanism in an outcome based contract can vary, and many schemes include a proportion of upfront payment that is not contingent on the achievement of a specified outcome.
[2] Payment by Results is the practice of paying providers for delivering public services wholly or partly on the basis of results achieved.
[3] A commissioner is an organisation which funds or contracts for delivery of a service.
[4] A service provider is an organisation which is contracted or funded to deliver the service.

CBO has four objectives:

- Improved skills and confidence of commissioners with regards to the development of SIBs
- Increased early prevention is undertaken by delivery partners, including voluntary, community and social enterprise (VCSE) organisations, to address deep rooted social issues and help those most in need
- More delivery partners, including VCSE organisations, are able to access new forms of finance to reach more people
- Increased learning and an enhanced collective understanding of how to develop and deliver successful SIBs or broader outcomes-based contracts .

At the time of writing (September 2020), CBO had made 23 awards that had launched, funding 25 projects (some involving a number of SIB projects) (Table 1.1 in Full Report).

The CBO evaluation is being undertaken by Ecorys and ATQ. It is focusing 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 could 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. It also explores what more The National Lottery Community Fund and other stakeholders could do to meet this aim.

The evaluation activity completed up to September 2020 was:

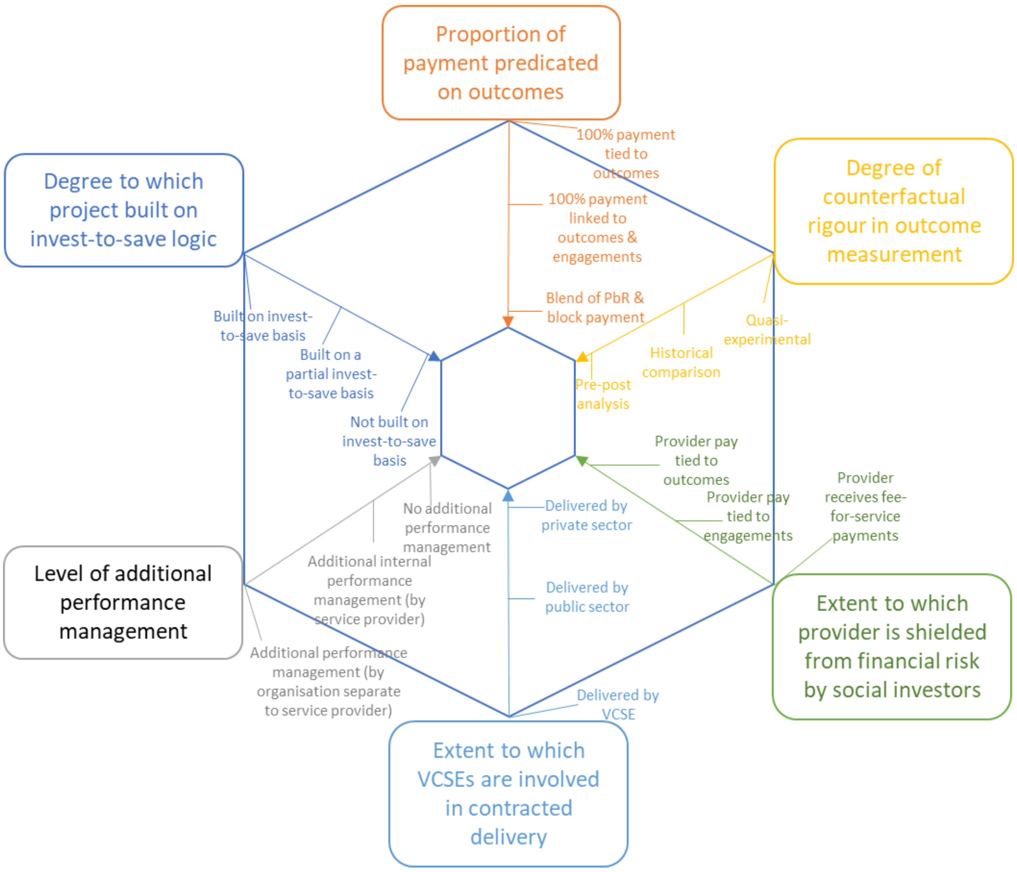
- In-depth reviews: Following nine projects from inception to end, visiting at three points. The evaluation team had undertaken baseline visits to all nine projects, mid-point visits to five projects and final visits to two projects
- LOUD report examining the reasons why 25 areas did, or did not, set up a SIB
- Analysis of CBO Management Information and internal reviews by The National Lottery Community Fund
- Analysis of projects' local evaluations
- Series of learning events including seminars with CBO-funded projects, investor breakfast meetings, presentations at multiple conferences, and regional knowledge clubs with commissioners and service providers.

SIBs - The Metamorphosis: Comparative analysis of nine SIB models

The evaluation team developed a framework for analysis to compare the SIB models across the nine in-depth review families. This drew on the SIB dimensions set out by the Government Outcomes Lab[5], with adaptations to enable a systematic analysis, including separating out the 'payment linked to outcomes' into two dimensions; creating a scale of the dimensions to enable more detailed mapping of how families vary across them; renaming some of the dimensions to enable quantified scaling; and adding a sixth dimension related to cashable savings (Figure 1).

Each dimension has been quantified so that the different SIB 'shapes' can be mapped and placed on a radar chart (see Figure 1). Against this radar chart, the closer a family has to a hexagon shape, the more it aligns with the concept of a 'textbook' SIB. It is important to note that these are not value judgements – a closer alignment to the 'textbook' SIB does not mean that the family is 'better', more that it more closely aligns with what was originally envisaged as a SIB, based on literature reviews of the original intentions (Carter, et al., 2018) (Fraser, et al., 2018). It is also important to note that the 'textbook' SIB is, to a degree, an abstract concept, and we are not aware of any SIB that perfectly fits the notion of the textbook SIB.

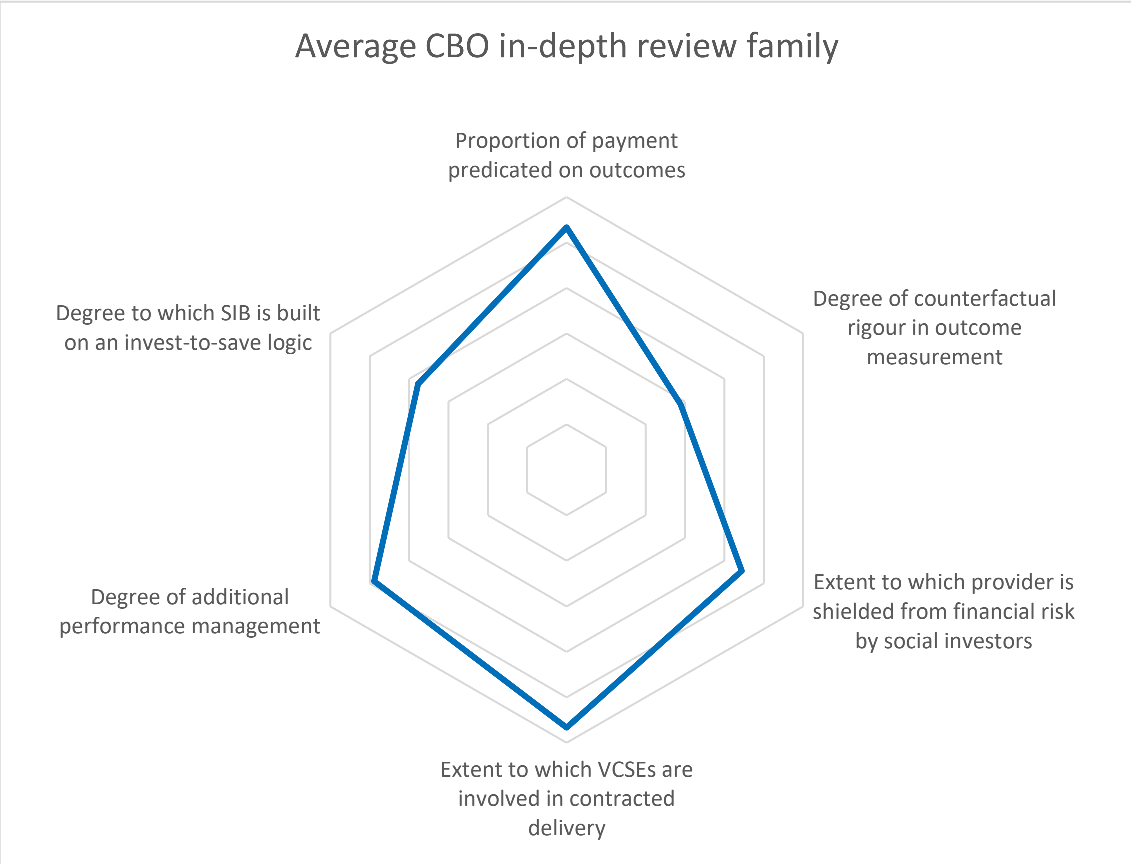
Figure 1: Summary of SIB dimensions used for comparative analysis



[5] Carter, E., 2020. Debate: Would a Social Impact Bond by any other name smell as sweet? Stretching the model and why it might matter. *Public Money & Management*, 40(3), pp. 183-185. See: https://www.tandfonline.com/doi/abs/10.1080/09540962.2020.1714288

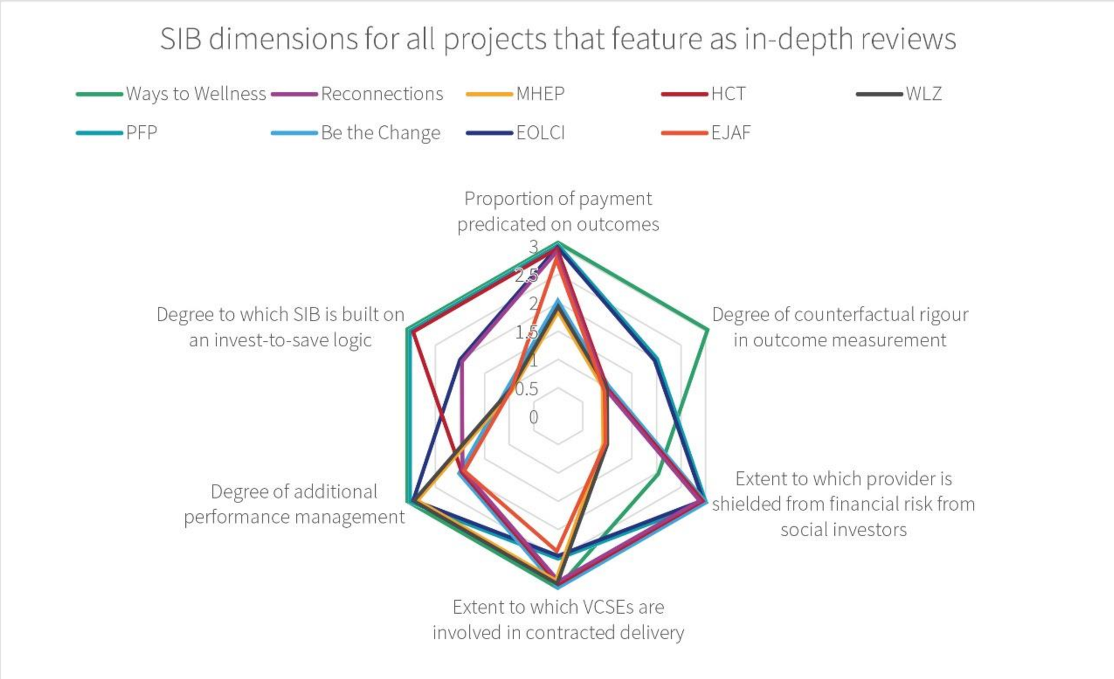
In Figure 2 we provide the average positioning for the CBO in-depth review families against this framework. This shows that the CBO in-depth review families are, on average, different to the textbook SIB on every dimension. However, the degree to which the families differ to the textbook SIB varies across the dimensions. In terms of dimensions that are very similar to the textbook SIB, all the families have interventions broadly delivered by VCSEs, have a high level of additional performance management and the majority (6 out of 9) tie all payments to outcomes. But we see a move away from the original SIB notion in terms of the level of rigour in outcome measurement and testing, and the degree of financial risk taken on by the investors.

Figure 2: Average positioning of the CBO in-depth review families against the SIB dimensions



In Figure 3 we show all of the nine CBO in-depth review families combined. This highlights that there is a substantial degree of variation across the dimensions within these nine families, with the exception that the use of VCSEs as service providers is almost consistent across them.

Figure 3: Positioning of each CBO in-depth review family against the SIB dimensions



There are a myriad of reasons why the in-depth review families have taken different shapes against the SIB dimensions, and in the Full Report we provide a detailed account of the reasons. In part the reason is that the 'textbook' SIB is, in most cases, unachievable. For it to exist it has to be in what is colloquially known amongst stakeholders as the 'SIB sweet spot' (see Box 1). Many feasibility studies have gone looking for this sweet spot and not found it.[6] There is often a tension between what is desired from a SIB, and what is achievable within the given context. Therefore, stakeholders have a choice – to either cease the SIB (or work on developing the conditions in Box 1 before they launch it) or evolve away from the original concept. This is why we have seen a large number of launched SIBs that have evolved away from the original concept, coupled with a large number of SIBs that were considered but not launched.

[6] Ronicle, J., Fraser, A., Tan, S. & Erskine, C., 2017. *The LOUD SIB Model: The four factors that determine whether a social impact bond is launched,* s.l.: Ecorys and Policy Innovation Research Unit.

Box 1: The SIB 'sweet spot'

For a SIB to follow the 'textbook' design, it typically needs to have the following 'sweetspot' features:

There are private investors willing to take on large amounts of risk for below-market level returns

Outcomes generate almost immediate and cashable savings

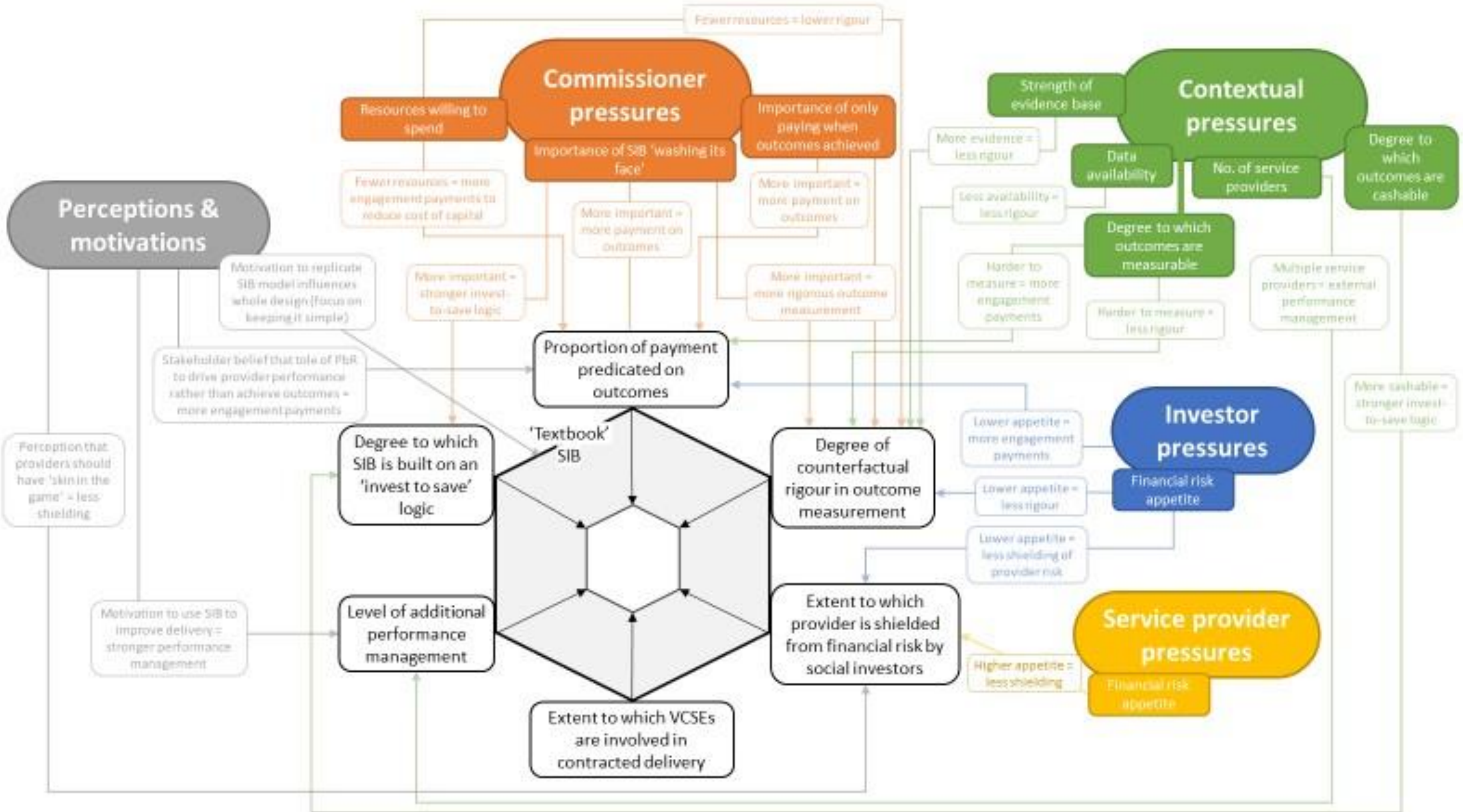
It is possible to undertake rigorous evaluation and ascertain attribution

Interventions are simultaneously innovative whilst also having a good enough evidence base that means investors will back it.

A key reason why these launched SIBs do not always have the characteristics of a 'textbook' SIB is that these characteristics are not always seen by stakeholders as important or desirable. Stakeholders prioritise certain elements of the SIB over others.

SIBs have not all evolved in the same direction; SIBs have *metamorphosised* into different shapes, subject to different pressures, priorities and preferences. In Figure 4 we bring these together.

Figure 4: SIB metamorphosis: Pressures that influence the 'shape' of a SIB



Motivations for launching a SIB

Across the in-depth review families, we identified a wide range of motivations that various stakeholders (i.e. commissioners, providers and investors or investment fund managers (IFMs)) had for launching their SIB projects. Some of these were motivations for specifically launching a SIB (as opposed to any other contracting mechanism), whereas others were motivations characteristic of outcomes-based contracting in general. The availability of CBO awards (e.g. development grants and outcomes funding) and strategic interest in doing a SIB (as an innovative contracting approach) from commissioning organisations, catalysed the initial foray into designing a SIB project in many instances. However, these motivations were not enough for developing a viable business case; key motivators for moving a SIB project from 'concept' to 'development' included the ability to:

- move the financial risk partly or completely away from the provider to the investor;
- scale up an intervention through funds released from savings generated by the project;
- draw on the perceived benefits of having expertise from investors or IFMs;
- facilitate collaboration across public services;
- create a preventative service that would result in avoided costs or cashable savings;
- commission innovative provision; and/or
- drive improved performance and increased accountability.

Investors were also motivated to support projects that would provide a social and financial return.

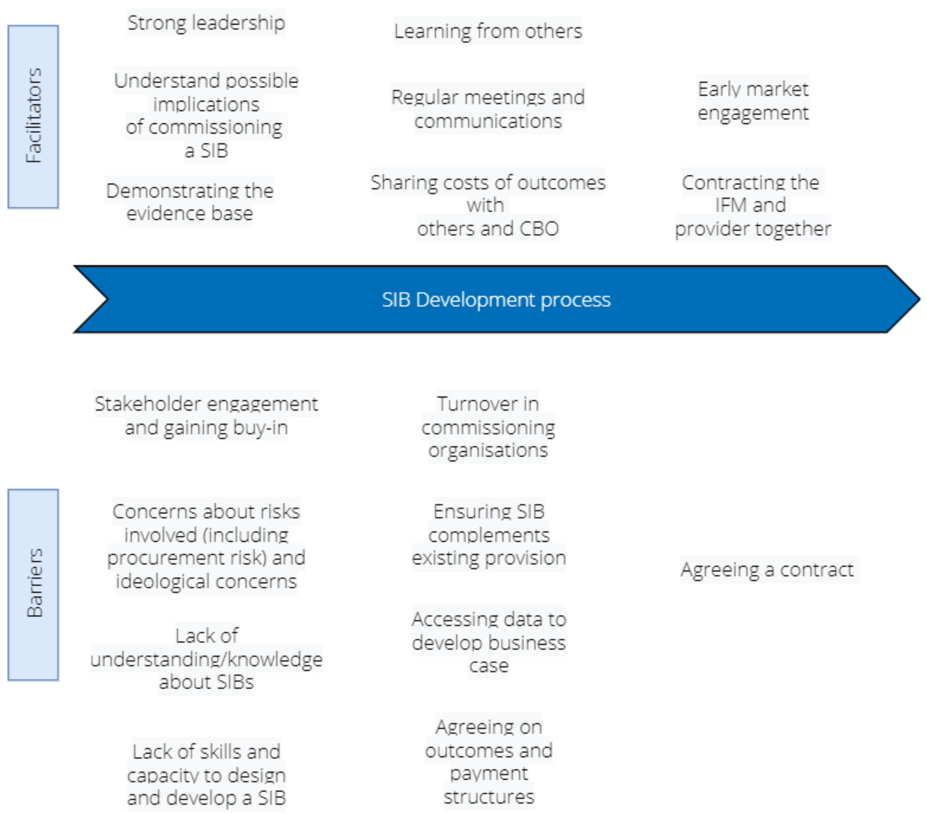
It is notable that the availability of top-up funding catalysed the interest in developing a SIB. Evidence from the evaluation of a similar programme, the Life Chances Fund, suggest that top-up funding was imperative for the successful launch of case study projects.[7] This raises a broader question about the future sustainability of the market, and whether SIBs are viable for local commissioners without top-up funding. The inclusion of top-up funds also makes it difficult to assess value-for-money; while technically the money from CBO cannot be used to cover the returns, as CBO top-up and commissioners' outcomes payments conceptually fall in the same 'pot', there is a risk that stakeholders perceive SIBs as good 'value-for-money' because of the additional resources they brought via CBO, when without CBO they may not have been perceived as such.

[7] ICF Consulting Services, 2020. *Evaluation of the Life Chances Fund: Interim Report,* s.l.: ICF. See: https://www.gov.uk/government/publications/life-chances-fund-evaluation-interim-report

Processes used for launching the projects

The development process for all of the in-depth review families was complex and lengthy, with projects taking on average 2¾ years from inception to implementation. All projects, bar one, accessed the CBO Development Grant (the average amount was £119,552), with several projects benefitting from multiple grants from other sources. Provider- and intermediary-led projects that aimed to enter into contracts with multiple commissioners did benefit from being able to replicate certain elements of the SIB development process. For commissioner-led projects, the development funding was often necessary to get the project moving, as commissioners would not have had the resource or the specific skills needed to do the feasibility work in-house. Stakeholders reported a range of facilitators of – and barriers to – the SIB development. These are outlined in Figure 5 below.

Figure 5: Facilitators and barriers to SIB development



The development of the projects required strong, charismatic leadership, commitment, and willingness to 'go the extra mile'. Defining and agreeing outcomes measures and payment structures was at times difficult, in terms of finding the balance between suiting the needs of (all) commissioners and having outcomes that were easily measurable and attributable to the intervention. It was necessary for all stakeholders to have a shared understanding of the policy problem that the SIB project was aiming to address . This was more challenging in provider- or intermediary- led projects, as providers and intermediaries were typically approaching commissioners with a model they had already largely developed. Stakeholders found it difficult to access the data needed to inform the development of SIBs, and in some cases the data needed to develop the business case was not available, so stakeholders made considerable assumptions (which were not always correct – see next section).

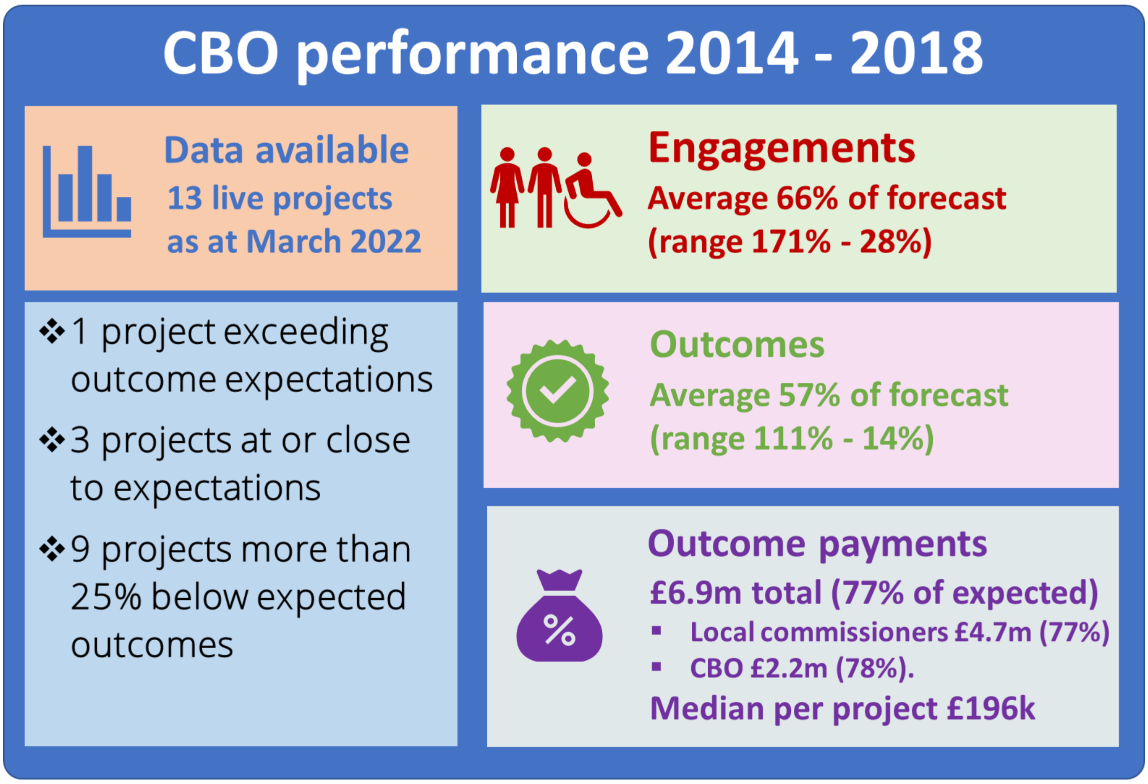
Although this evaluation has found that the development process has been long and complex, it does not mean that the process of developing the CBO projects has not been 'worth it'; it is arguably too soon to make this judgement without seeing the performance and outcomes of all the projects and assessing their value for money. It is also difficult to generalise the experience of the CBO SIBs to the wider market; after all, these were some of the first ones, and it may be that as the market matures, with more learning shared and expertise pooled, that SIBs will become easier to develop over time. This is something that we will return to when reviewing the wider evidence base as part of our future evaluation work.

Progress of projects to date

We are starting to get a picture of the progress of projects funded by the CBO programme, based on CBO data across 13 projects, and mid-point reviews (some not yet published) of five of the nine families of projects that we are reviewing in depth.

The CBO data shows wide variation in performance (see Figure 6) and indicate that some projects are performing very well, but on the whole that projects are behind forecast performance on engagements (on average 33% behind), outcomes achieved (on average 43% behind) and outcome payments made by both local commissioners and the CBO programme (on average 23% behind).

Figure 6: Summary of CBO project performance



Source: The National Lottery Community Fund Management Information

Based on the qualitative evaluation research and Project Monitoring Reports submitted by projects, both the reasons for variation in performance and the action taken to correct it vary widely between projects. The main reasons were either over-optimistic original forecasts; a shortfall in referrals / inappropriate referrals (leading in due course and indirectly to underachievement of outcomes); the needs of service users being higher than anticipated; and/or various delivery factors leading to direct failure to meet forecast outcome targets.

The five mid-point reviews so far completed or well advanced confirm the variation in performance and reveal a wide range of actions to improve performance that was falling short of expectations. The mid-point reviews are also adding to, and sometimes modifying, stakeholders' (and our own) initial perceptions of the benefits and disadvantages of a SIB approach.

On the upside, the mid-point reviews suggest that the SIB model is leading projects to benefit from:

- 'Better' performance management, by which we mean closer and more regular scrutiny of performance, and/or faster and more decisive action to rectify under-performance when it occurs. Stakeholders attributed this to the specific funding (usually by an investor or IFM) of an enhanced level of performance management including dedicated or part-dedicated performance managers and supporting systems, and/or to the incentive to greater and more regular scrutiny of performance that comes from a focus on outcomes, and in particular from payment being linked wholly or partly to outcomes. Thus when outcomes failed to match forecast expectations, to various degrees the parties to the contract were incentivised to get things back on track.
- Improvements in the way that organisations use and apply data (and the systems needed to collect and report on that data). This arose partly from the need for better data to drive performance, but there were also examples from projects of data being used well in other ways, for example to support identification of those most likely to benefit from specific interventions. Some stakeholders claimed that these changes would have wider application and would spill over into conventional contracts. In future reports we will explore whether and to what extent these claimed wider benefits come to fruition and were sustained.
- Greater flexibility than conventional contracts. This was because the specification of outcomes, rather than inputs or activities, gave more freedom to providers to adapt the delivery of the service or intervention in the light of individual needs or learning as the project progresses. There was also more drive to quickly change the intervention in order to achieve outcome targets – as part of what might be termed an 'adaptive mindset' on the part of providers.
- The post-buy-in alignment of the interests of all three key parties (commissioner, provider and investor), making it easier to amend contracts and in particular change the outcome metrics and/or payment structure. Some stakeholders argued that this was a clear benefit of the SIB mechanism because it incentivised contract parties to find solutions to issues when they arose (a feature which we have previously noted as the "win, win, win" of SIBs). However not all stakeholders agreed, since the need to resolve issues in relation to, for example, the achievement of outcomes, can also lead to tension between stakeholders or change the balance of risks between parties (see below), and where the balance of risk changes, it appeared nearly always to favour investors at the expense of either commissioners or providers, or both. The embedding of an outcomes-focused culture among providers. This is something distinct from and additional to the effect of an outcomes contract on performance and its scrutiny as outlined above.

On the downside, the mid-point reviews suggest that a SIB approach can have disadvantages, including:

- Tension between stakeholders, usually when performance falls short of expectations and disagreements emerge about the reasons for it, and the action that should be taken to improve it. This has been a factor in two of the five SIBs on which we have undertaken mid-point reviews . What is less clear is whether these issues could or necessarily should be avoided, or should be accepted as the natural way of things if we are to welcome the increased attention to performance that emerges as arguably the greatest single benefit of outcomes-based contracts. The view of many stakeholders across all the projects we have reviewed was that performance was better when it was closely managed and the pressure to achieve outcomes was driving it – which inevitably meant there were sometimes disagreements between stakeholders. This is especially when investors were being asked to take much of, and in some cases all, the risk of outcomes not being achieved, and IFMs who act on their behalf have a duty to do all they can to maximise social and financial returns.

- Optimism bias in business cases. Our mid-point reviews have confirmed that supposedly robust business cases for SIBs often prove unreliable, and that in nearly all cases the initial forecasts made about key drivers of performance – notably the number of referrals made and/or positive outcomes achieved – were optimistic, and therefore over-estimated the project's social impact. This happens in many projects but matters much more in outcomes-based contracts because if a minimum level of performance is not achieved the financial risk may be too high for both investors and, in many cases, providers. This optimism bias appears to be in part due to a natural tendency to over-estimate what can realistically be achieved in any project - noted as a '*demonstrated, systematic tendency'* in the Treasury 'Green Book'[8]. However in some SIB business cases – and especially where the project is expected to be wholly or partly funded from 'savings' – there also appears to be a tendency to make optimistic assumptions if these are needed to make the 'payback' to commissioners and others equal to or greater than the cost of the intervention and other costs. This was particularly the case in intermediary- or provider-led SIBs, where the SIB had to be 'sold' to a commissioner, and so there was an in-built incentive to over-state the potential achievements.
- Providers underestimating their ability to bear financial risk. Our mid-point reviews show that some of the providers who knowingly took on a degree of financial risk in SIBs (by having outcomes or outputs tied to payment) found agreed targets more challenging than anticipated. This led to tensions with investors and fund managers, as outlined above, and sometimes to substantial changes in operational management
- Contract renegotiation which transfers risk back to commissioners. As noted above contract change can be a benefit, but across some of the projects we reviewed at the mid-point it also led to commissioners being asked to make larger upfront payments than originally contracted, or being asked to pay more per outcome to compensate for fewer outcomes than promised being achieved. So while it is perhaps a strength of SIBs that structures are sufficiently flexible, and relationships strong enough, to allow for renegotiation, it must be seen as a disadvantage of SIBs that commissioners are persuaded to enter into contracts on the promise of a degree of risk transference that does not always materialise.
- Challenges of stakeholder engagement. Our mid-point reviews have shown that challenges around stakeholder engagement not only happen during SIB development but will sometimes crop up again during delivery, especially in commissioning bodies. This can happen because of staff turnover within organisations, when key parties move to new roles and/or there is a high degree of 'churn' within organisations. It can also happen due to structural change within organisations, or changes to the commissioning bodies themselves. In part this is the inevitable result of the structure of some of the SIB projects, which are designed to enable further commissioners and contracts to be added, but there have also been instances where existing commissioners have restructured or merged, in ways that were not foreseen at the outset.

[8] https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent

Conclusions

Overall, we have three broad conclusions. The first is that the 'win, win, win' of SIBs is rarely a certain win for any of the key parties – even if the investor, fund manager and/or intermediary are able to generate the returns they are expecting they will have had to have worked very hard to achieve returns that, reflecting the social nature of these contracts, are frequently modest. In addition, some investors have lost money on particular projects, albeit rarely. Commissioners often find that the promise of zero risk to them in contracting for outcomes (always somewhat illusory) is further eroded by the need for at least some payment to be on inputs or activities such as engagement and/or a renegotiation when SIBs do not achieve against their initial projections. And many providers who would rather be shielded completely from financial risk find themselves exposed, either because they too are paid by the outcome, or are paid for inputs and activities that can be challenging to achieve, rather than a simple fee for service as some argue should be the norm in all SIBs. However some providers choose to share risk, and therefore benefit from the 'upside' of more outcome payments if projects perform well.

Our second conclusion returns to the question of whether SIBs deliver more or better impact than conventional approaches. Stakeholders in the projects we have reviewed were of the view that they achieved more outcomes, and greater social impact because of the stronger performance management that was built into the SIB mechanism, and the impetus provided by linking payment to outcomes. It is arguable that better and stronger performance management could be funded and built into any contract, but the evidence from parties involved in the SIBs we have reviewed suggests that it tends not to be. Funded performance management is seen as unnecessary in most fee for service contracts, which rely on goodwill and, ultimately, contractual liabilities. Performance management is a feature of SIBs largely because investors and fund managers (who have a duty to protect their investors' interests) have a strong vested interest in outcome achievement, and therefore insist upon it.

It remains, however, challenging to prove objectively that a SIB works better than a conventional contract, (and justifies the additional cost, time and complexity of its development), because we cannot compare a SIB contract head-to-head with a conventional contract that addresses a similar cohort, using the same intervention in the same wider economic and social circumstances. Without such a rigorous measure of the counterfactual to the SIB mechanism itself, it will always be difficult to prove what many attest – that SIBs do improve outcome performance significantly.

The third conclusion is highlighted by our analysis of both how SIBs stack up against the original conception and compared to the GO Lab 'dimensions'; and of what motivates commissioners and others to pursue them. What we have found is that SIBs have evolved away from the original conception in a myriad of ways. In Table 1 below we demonstrate this through contrasting how SIBs were originally conceived[9] against the SIB realities we see in the nine in-depth families.

[9] Fraser, A. et al., 2018. *Evaluation of the Social Impact Bond Trailblazers in Health and Social Care: Final Report,* s.l.: s.n.

Table 1: SIB concept vs reality

SIB original concept	SIB reality
An innovative partnership between private and/or socially minded investors, commissioners and non-profit service providers, often coordinated through SIB specialist organisations, to tackle deeply ingrained social problems	An innovative partnership between primarily socially-minded investors, commissioners and non-profit organisations, often coordinated through SIB specialist organisations, using their different skills sets and ability to use their funding in different ways to tackle deeply ingrained social problems
Improved social outcomes for service users and cashable savings for commissioners	Improved social outcomes for service users, which are likely to reduce future costs to the public sector (though not necessarily the commissioner) and may in some cases produce cashable savings
Financial risk transfer from the public sector to investors	A sharing of financial risk between the public sector, voluntary sector and investors
Rigorous evaluation to ensure that improvements in social outcomes are measured and attributable to the SIB-financed interventions	Higher standard of outcome measurement than is typically seen in fee-for-service contracts
Return on investment to investors dependent on achievement of outcomes	Return on investment to investors dependent on provider performance, including ability to engage service users and achieve outcomes

Is this shift away from the original conception a good or a bad thing? One could argue that it is good, because the concept is being adapted and amended to suit different contexts. The 'principles' of outcomes-based contracting – stronger outcome measurement, sharing of risk, collaboration between different sectors – are being applied, even if the original conception is not. Others may argue that it is bad, because people are 'being sold a pup' – they think they are only paying when a service achieves outcomes, only to find out later that this is not true. Overall, we would side with the former argument – we think that so long as these metamorphoses are rigorous in applying congruent logic to the principles of outcomes based contracting above, there could be circumstances in which it is a good thing that the principles are being adapted and applied to different contexts. However, we also think there is a real and present risk that people sign up to a SIB thinking they are receiving the textbook notion, when they are not.

Based on this, we think **there is a case for a fresh debate about what a SIB is meant to be for,** before we can properly determine whether they are succeeding. There are important and as yet unanswered questions about the core purpose of SIBs. Should the SIB mechanism be used to replicate successful models, and scale up interventions that have themselves been demonstrated to work? Or should it be used to trial innovative or experimental provision? Or is it enough that SIBs and outcomes-based contracts finance the performance management and the flexibility to adjust to learning – to deliver as much impact as all the parties could reasonably expect, without any of them facing undue and unexpected levels of risk?

Recommendations

For all stakeholders:

1. Create a clearer narrative on what a SIB is, and what it is for: We think it is time to hit 'refresh' on the SIB concept. We think stakeholders should re-convene to re-develop the notion of the SIB, so there is a clearer and more transparent understanding as to what the model is, and why it should be applied.
2. Provide more clarity and openness on the different SIB designs, and why one should be adopted over another: We often come across commissioners and service providers involved in SIBs who think there is mainly only one way of designing a SIB – the way theirs is designed – and they can be surprised to hear that other SIBs are designed in different ways. This means stakeholders are not always making informed decisions about how to align the SIB 'shape' with their priorities. There needs to be more transparency about the different 'shapes' SIBs have formed, and why, to aid more informed decision-making.
3. When designing outcomes-based projects, test the modelling to iron out optimism bias: It appears that some of the CBO in-depth review families have not performed as expected to date (September 2020) because the expectations of them were over-optimistic – which in turn has meant that there has been more pressure to increase performance, or to change contract terms to match a more realistic expectation of what is possible and affordable for all parties. While we had only reviewed five projects at the mid-point at the time of writing, there is already a body of evidence that suggests that all parties to the development of outcomes contracts need to be more cautious in their business case assumptions, or when bidding to be service providers. In particular, they should all avoid optimism bias around key variables, including how many beneficiaries can be referred to a programme, can complete it successfully, and can ultimately achieve the outcomes specified.

For The National Lottery Community Fund:

4. Run programmes with different funding approaches within them, to increase understanding around which funding approach works best for VCSEs and social outcomes: All impact bond evaluations, including this one, have struggled to answer the main question, 'Do SIBs work?' because impact bond programmes are not designed to enable this question to be answered robustly. For this question to be answered in a thorough way, we recommend The National Lottery Community Fund funds a programme which includes multiple projects tackling the same issue measured in the same way but funded through different contract mechanisms (i.e. impact bond, PbR, fee-for-service etc.). This would produce the conditions that would allow the effectiveness of these different contracting mechanisms to be measured in an accurate way. This would help The National Lottery Community Fund and other stakeholders fully understand the best approach to funding VCSEs that works for both them and the people they support. This would most likely require Recommendations 1 and 2 listed above to be achieved first.

1. Introduction

This report is the third Update Report of the Commissioning Better Outcomes (CBO) Evaluation, undertaken by Ecorys in partnership with ATQ Consultants (ATQ), on behalf of The National Lottery Community Fund. The report updates the information and data found in our 2016[10] and 2019[11] Update Reports, drawing on a number of pieces of work undertaken up to September 2020 by the evaluation team.

1.1 SIB definition

A SIB is essentially a type of payment by results[12] (PbR) contract. Like other types of PbR, a commissioner[13] (usually one or more public sector bodies) agrees to pay for results delivered by service providers[14], and unless those results are achieved, the commissioner does not pay. Where a SIB differs from a PbR contract is that the providers in the SIB model do not use their own money to fund their services until they get paid – instead, money is raised from 'social investors'[15] who get a return if the results are achieved.

However, there is no generally accepted definition of a SIB and, as Chapter 2 demonstrates, their nature varies substantially.

Some of the projects funded by CBO (e.g. Positive Families Partnership (PFP)) have been re-named from SIBs to Social Outcomes Contracts (SOCs) by the project partnership. According to stakeholders involved in PFP, SOCs have the same underlying characteristics as a SIB (payment attached to performance and up-front capital provided by external investors), but focus more on providing flexibility and innovation in the delivery of existing services (rather than experimental new services, as SIBs were initially purported to facilitate). Furthermore, West London Zone (WLZ) refers to itself as a 'Collective Impact Bond'[16], which has a specific focus on collaboration.

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[10] See: https://www.tnlcommunityfund.org.uk/media/research-documents/social-investment/CBO-Update-Report_Full-Report.pdf?mtime=20190215124522

[11] See: https://www.tnlcommunityfund.org.uk/media/CBO-2nd-Update-Report_FINAL_FINAL.pdf?mtime=20191018112839&focal=none

[12] Payment by Results is the practice of paying providers for delivering public services wholly or partly on the basis of results achieved.

[13] A commissioner is an organisation which funds or contracts for delivery of a service.

[14] A service provider is an organisation which is contracted or funded to deliver the service.

[15] A social investor is an investor seeking social impact in addition to financial return. Social investors can be individuals, institutional investors, dedicated social investment funds and philanthropic foundations, who invest through their endowment.

[16] A collective impact bond is a term coined by the West London Zone project to describe their innovative funding model, which brings together multiple delivery agencies (charities and other social sector partners), multiple commissioners (mostly public sector budget-holders who pay for positive outcomes for children and young people), and multiple investors (individuals, foundations and corporate institutions who want to combine commercial investment with social value, and carry some of the risk on behalf of the charities). In a collective impact bond, funding comes from multiple sources, including - but not limited to - social investment.

A further challenge in defining SIBs is around what counts as one SIB – some SIBs have very similar designs, delivered by the same service provider but in different locations – does this count as a single SIB, or multiple SIBs? Here we have used the GO Lab / Brookings definition of what constitutes a single SIB project: *Each impact bond project that begins work under a new outcomes contract, with a new target cohort, a distinct geography, and/or with a later start date is counted separately*.

However, we refer to 'families' of projects when they have very similar characteristics (such as the same service provider, same special purpose vehicle (SPV)[17] and/or very similar outcome payment structures).

The majority of the evaluation analysis focuses on projects that have been examined through nine 'in-depth reviews' (see Section 1.3.1). However, some of our in-depth reviews focus on one project (e.g. Reconnections), some focus on entire 'families' (e.g. HCT) and some focus on parts of a family (i.e. they were the whole family when the in-depth review began, but further projects in the family were launched, e.g. WLZ and the Mental Health and Employment Partnership (MHEP)) – as outlined in Table 1.1. Therefore, how do we collectively refer to, and divide and map, the projects within the in-depth reviews? Throughout this report our main unit of analysis is the nine in-depth reviews, and so we make comparisons at the in-depth review level, and refer to these as the 'in-depth review families'. Our alternative option was for the unit of analysis to be at the individual project level (of which there are 16 across the nine in-depth reviews), but we think this would have distorted the analysis because it would have given undue weight to families that include a lot of projects. In some families there is variation in how the projects were designed (e.g. MHEP); where this is the case we have described the design adopted by the majority of the projects within the in-depth review family, and added footnotes where some of the projects vary from this description.

For the avoidance of doubt, then, in this report we refer to 'projects' (individual outcomes-based contracts[18]) and project 'families' (a group of very similar outcomes-based contracts). In the main we compare across the nine in-depth review families of projects.

The issues of definition discussed above, and the fact that new projects are launching all the time, makes it difficult to estimate how many current contracts qualify as impact bonds, but according to GO Lab as of 8 March 2021 89 had been launched in the UK.[19] These are being used to tackle a range of social issues including homelessness, youth unemployment and children in care.

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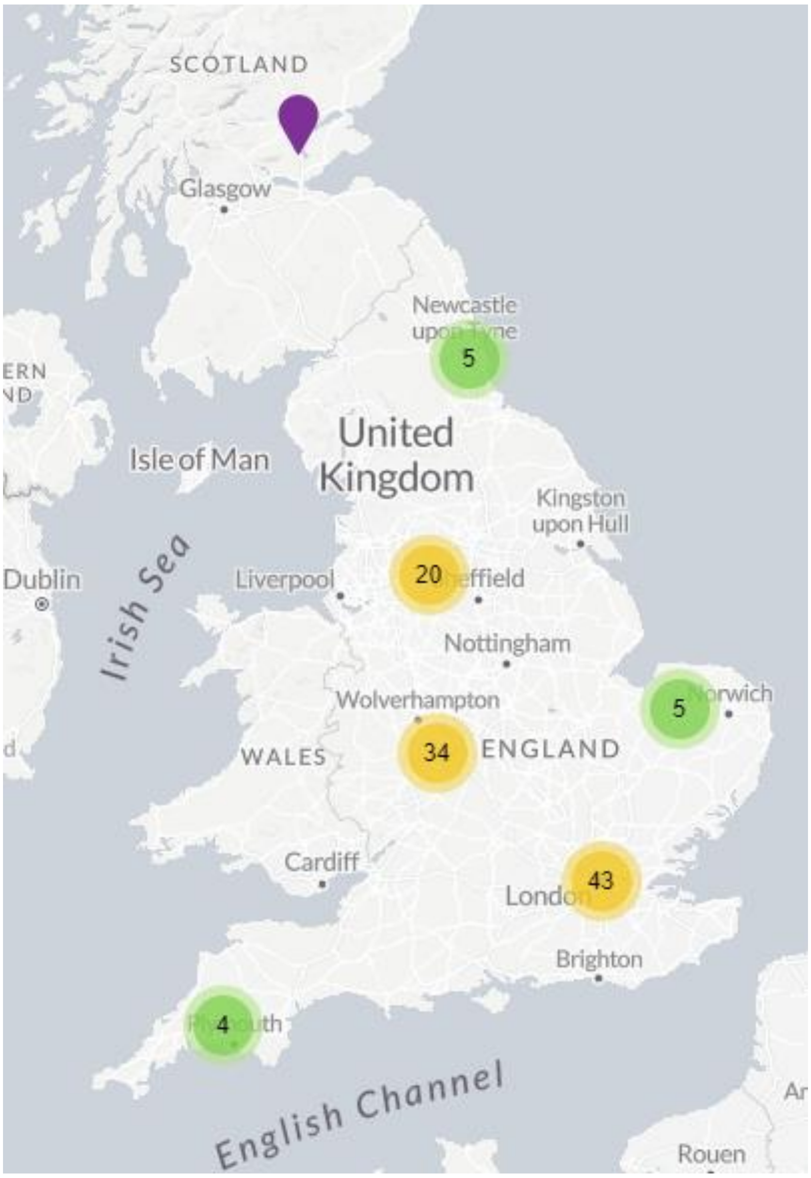
[17] A special purpose vehicle (SPV) is a legal entity (usually a limited company) that is created solely for a financial transaction or to fulfil a specific contractual objective.

[18] Outcomes-based contracting describes a way to deliver services where all or part of the payment is contingent on achieving specified outcomes. The nature of the payment mechanism in an outcome based contract can vary, and many schemes include a proportion of upfront payment that is not contingent on the achievement of a specified outcome.

[19] See: https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/

Figure 1.1: Launched impact bonds in the UK



Source: GO Lab projects database. Accessed 22 March 2021. Database was in beta phase when accessed so could have some inaccuracies: https://golab.bsg.ox.ac.uk/knowledge-bank/project-database/?query=&country=United+Kingdom.

1.2 Summary of Commissioning Better Outcomes

The CBO programme launched in 2013 and closed to new applications in 2016, although it will continue to operate under grant management until 2024. It originally made up to £40m available to pay for a proportion of outcomes payments for SIBs and similar outcomes-based contractual models in complex policy areas. It also funded support to develop robust proposals and applications.

CBO has four objectives:

- Improved skills and confidence of commissioners with regards to the development of SIBs
- Increased early prevention is undertaken by delivery partners, including voluntary, community and social enterprise (VCSE) organisations, to address deep rooted social issues and help those most in need
- More delivery partners, including VCSE organisations, are able to access new forms of finance to reach more people
- Increased learning and an enhanced collective understanding of how to develop and deliver successful SIBs or broader outcomes-based contracts .

CBO is built on a 'test and learn' philosophy, and The National Lottery Community Fund has been adapting the programme as the SIB landscape evolves.

CBO has funded 21 CBO SIB awards, comprising 24 projects with 12 of these projects falling into 3 SIB families, summarised in Table 1.1 below. We provide further information on the projects that feature as in-depth reviews in Chapter 2, and more information on the progress of these projects in Chapter 4.

Table 1.1: CBO projects

Family / project name	Family / project summary	Location of project(s)
Children in Care Contract (1 project)	This funding was used to work with a service provider, Core Assets, to support young people in residential care to move successfully into stable family placements, using the Step Down programme. The project expected to achieve reductions in school exclusions, recorded crime, substance misuse, arrests, worsening mental health and anti-social behaviour. CBO closed its award in Quarter 4 of 2020/21.	Birmingham
Ways to Wellness (WtW) (1 project)	This funding is being used for a project designed to motivate up to 8,500 older people to take up healthy activities. The National Lottery Community Fund plans to pay £2 million if the wellbeing of 8,500 people aged 40 to 75 improves as predicted. The project is supported by up to £1.65 million social investment and is the first of its kind, designed to help with long-term health conditions, commissioned anywhere in the world. This project has been extended by 1 year to run with CBO funding to September 2022.	Newcastle
Reconnections Social Impact Bond (1 project)	This project should help reduce social isolation and loneliness through a five year county-wide project, ending in August 2021. This aims to improve well-being through person-centred techniques and community activities supported by 150 volunteers and co-ordinated by Age UK Malvern and Worcestershire. The project is managed by Reconnections Limited. It is funded by £788,000 start-up social investment, followed by £2.02 million outcomes payments if reduced loneliness is evidenced for at least 3,060 older people. This project ran to August 2021.	Worcestershire
West London Zone Collective Impact Bond (2 projects)	This five year youth engagement-focused collective impact bond (CIB) supported delivery of early interventions to 700 disadvantaged children and young people who, while not at immediate risk of requiring educational intervention, may not flourish without link worker and specialist provider support. This should help them achieve better long-term outcomes in adult life. The services were commissioned by children's services and local schools, with philanthropic individuals connected to foundation schools also contributing to outcomes payments. The award and project was extended to Kensington and Chelsea for a 2 year period from 2017. The CIB obtained £1.27m investment from Bridges Fund Management. The project finished CBO delivery in November 19 in Kensington and Chelsea and was being closed in Hammersmith and Fulham (H&F) in April 2021.	Hammersmith and Fulham (H&F) Kensington and Chelsea

Family / project name	Family / project summary	Location of project(s)
Turning the Tide (1 project)	This four year project aimed to tackle the causes of children and young people becoming looked after by the care system. Preventative interventions should help parents by enhancing their knowledge and skills and create positive family relationships. The project aimed to support up to 240 children and young people who were currently looked after or considered to be on the edge of care. The commissioner expected to generate up to £4m net savings and the investor, Bridges Fund Management, up to £1.83m return. The current project finished delivery in June 2021. A business case to extend delivery for two to three years beyond June 21 was in advanced development at the time of writing (July '21).	North Somerset
Travel Training SIBs (3 projects)	This three-year family of projects delivered travel training for young people with a statement of Special Educational Needs or an educational health care plan. The service aimed to help young people become more independent by acquiring life skills and confidence. There were three projects within this family, operating in Lambeth, Norfolk and Surrey. All three involved HCT as the service provider. The project ended delivery in March 2020.	Lambeth Norfolk Surrey
Mental Health Employment Partnership (MHEP) SIBs (6 projects)	The MHEP family of projects support people with severe and enduring mental illness to get into work through a recognised approach called Individual Placement and Support. Payments will be made after six weeks and six months as they take up placements. There are six projects within this family. The first three (Staffordshire, Haringey and Tower Hamlets) are referred to by The National Lottery Community Fund as 'MHEP 1' because they launched at relatively similar times and were part of the same CBO award. The second three (Barnet, Camden and Enfield) are referred to as 'MHEP 2' because they launched at a later date and are part of the same CBO award. The original Haringey MHEP 1 year project programme was not funded by CBO, but by the DCMS Social Outcomes Fund (as was Barnet in MHEP 2). Other MHEP projects have been funded through the Life Chances Fund[20].	Staffordshire Haringey Tower Hamlets Barnet Camden Enfield

[20] £80 million was committed by central government in 2016 to provide contributions, over a nine-year period, to outcome payments for payment-by-results contracts, which involve socially minded investors - i.e. towards Social Impact Bonds (SIBs). These contracts must be locally commissioned and aim to tackle complex social problems. See: https://www.gov.uk/government/publications/life-chances-fund

Family / project name	Family / project summary	Location of project(s)
Be The Change (1 project)	This four year project aimed to address the needs of 105 homeless young adults aged 18-24 in Northamptonshire. It was a small-scale project that drew on the Fair Chance Fund[21] infrastructure and data around young people who are Not in Education, Employment or Training (NEET). It aimed to generate £0.7m in savings and will start up with £0.1m in social investment. CBO funding for the project ended March 2020, with a further nine months funded without CBO top up to December 2020.	Northamptonshire
EJAF Zero HIV (1 project)	This three-year project, working across Lambeth, Southwark and Lewisham, aims to: improve the quality of HIV treatment, especially by ensuring equal access to HIV treatment and care; test an innovative commissioning model to help address isolation and allow investment in prevention; and develop an integrated model of HIV care to improve the care process. The project aims to help 1,250 newly diagnosed participants with HIV to start care and get the treatment they need to stay healthy. The commissioners are expected to generate net savings of £15.2m with a planned 2% return for social investors. The project is being mainstreamed by the NHS so is now expected to finish delivery in December 2021as opposed to original 2024 end.	Lambeth, Southwark & Lewisham
Positive Families Partnership (PFP) (1 project)	This five and a half year project aims to launch a five London borough project for 522 young people on the edge of care. Intensive therapeutic interventions will aim to reduce the numbers of people avoiding care. This will lead to considerable savings for children's services departments, with savings to health, justice, education and unemployment for the wider benefit of the community. Delivery finishes in mid-2021 with 2 years post-delivery review of sustainment of impact.	Across London
End of Life Care Integrator (EOLCI)	These SIBs aim to provide high quality care for people across care homes. A 24-hour telemedicine service will provide support for care home residents and clinical assessments will be made in the homes. This should reduce A&E attendances and	NW London (8 LAs) Hillingdon

[21] The Fair Chance Fund was a 3-year social impact bond programme which ran from January 2015 to December 2017. The aim was to improve accommodation, education, and employment outcomes for homeless young people aged 18-24. It was funded on a payment-by-results basis, with projects backed by social impact bonds. It was funded by the Ministry of Housing, Communities and Local Government (MHCLG). See: https://www.gov.uk/government/publications/fair-chance-fund-evaluation-final-report

Family / project name	Family / project summary	Location of project(s)
Telemedicine Projects (3 projects)	hospital admissions, provide treatment in a familiar setting and generate savings. There are three Telemedicine SIB projects with three separate awards.. One is operating across eight LAs, one is operating as a second separate project in Hillingdon, and one operated in Waltham Forest (which finished in 2020). The Hillingdon project is due to finish in 21/22 and the cross-London project in 22/23. Two further EOLCI SIBs were in development during the period of this update. One has since launched in Sutton to run for 3 years to 2023 and one is expected to launch in Somerset to run for 3 years 2021-2024, with CBO funding to August 2023.	Waltham Forest
Positive Behaviour Support Services – Commissioning for Outcomes Framework (1 project)	The four year intervention will offer a range of services to support up to 28 vulnerable adults with leaning difficulties to live in a community setting, helping them to achieve greater independence and live more fulfilled lives. The project aims to generate £11.8m in gross savings. The initial delivery of the interventions is being funded through providers up-front funding in a payment by results model. The proposal did not raise the £1.5m of social investment to convert this into a full SIB in 2019 and launched as a PbR model in June 2020. CBO will fund to August 2023.	Haringey
Bradford Positive and Included (1 project)	This project aims to improve outcomes for children with learning disabilities and challenging behaviours by reducing rates of full-time residential care entry. This five-year SIB aims to improve the lives of 13 children aged 8-13 in Bradford, using a service based on positive behaviour support. Bradford District Council and three local CCGs aim to generate up to £2.5m savings. The SIB launched with £0.5m social investment capital. The project will run to 2022.	Bradford
Devon Lifestyle Intervention Programme (1 project)	This project aims to prevent or manage type 2 diabetes for more than 6,500 people in Devon. The lifestyle of each patient will be reviewed to support improved mental health and well-being. The services will benefit the health of up to 1,400 people and will result in savings to future health and social care budgets. In the short term, the SIB is expected to generate up to £300k net savings to Devon Public Health and will start up with £1m social investment to cover initial costs. The project timelines have been amended to deliver to August 22. The project has call on up to £1.4 million social investment as of 2019.	Devon

Family / project name	Family / project summary	Location of project(s)
Community Owned Prevention (1 project)	This project will allow the delivery of non-medical, social and community based support prescribing to up to 2,515 patients aged 18 to 65 to help them understand and manage their long term health conditions. It aims to improve service user well-being and reduce use of health and social care services which should generate up to £0.5million in savings.	North East Lincolnshire

Source: The National Lottery Community Fund. Project summary text taken from press summaries when project launched, provided by The National Lottery Community Fund. *Some text has been updated by* The National Lottery Community Fund *to reflect amends since the projects launched.*

1.3 Evaluation focus

The CBO evaluation is being undertaken by Ecorys and ATQ. It is focusing 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 could 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. It also explores what more The National Lottery Community Fund and other stakeholders could do to meet this aim.

The evaluation findings will contribute to an overall judgement of the effectiveness of the SIB model, though it is only focusing on SIBs supported through CBO and therefore will not be evaluating all SIB models.

The evaluation runs from 2014 to 2023.

1.3.1 Evaluation activity completed to date

The evaluation activity completed to date includes:

- In-depth reviews: The evaluation is undertaking nine in-depth reviews, following projects from their inception to end. These focus either on an individual project, or a family of projects when more than one similar project was commissioned within a relatively close time-period. The in-depth reviews track the development of these projects from their inception to closure, visiting them at multiple points (at least a baseline (up to the launch of the project) and final (end of delivery) visit, with a mid-point visit half way through delivery) for the longer families of projects. At each point, the evaluation team interviews key stakeholders and reviews Management Information and key documents. To date (March 2022), the following in-depth reviews have been completed (the projects/families are referred to by these names throughout the report):
  - *Ways to Wellness (WtW)*: One project. Baseline (published) and mid-point (published)
  - *Reconnections*: One project. Baseline (published), mid-point (in progress) and final (in progress)
  - *MHEP*: Family of three projects (MHEP 1, see Table 1.1). Baseline (published), mid-point (published) and third in-depth review (in progress)
  - *HCT*: Family of three projects. Baseline (published) and mid-point (in progress)
  - *West London Zone (WLZ)*: One project. Baseline (published) and mid-point (published)
  - *Positive Families Partnership (PFP)*: One project. Baseline (published) and end-point (in progress)[22]
  - *Be the Change:* One project. Baseline (published) and final (in progress)[23]
  - *EOLCI NW London Telemedicine Project (EOLCI)*: One project. Baseline (in progress)

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[22] Due to the timing of this project the evaluation is only conducting a baseline and end-point visit
[23] Due to the timing of this project the evaluation is only conducting a baseline and end-point visit

  - ▷ *Elton John Aids Foundation (EJAF) Zero HIV*: One project. Baseline (published) and mid-point (published).

- The LOUD report (available here), produced jointly by Ecorys and the Policy Innovation Research Unit (PIRU). This examined the reasons why 25 areas did, or did not, set up a SIB and summarised the four factors that were essential in ensuring whether a SIB was launched. This report is referred to as the LOUD report after these four factors identified, which are: collective Leadership; clear Outcomes; shared Understanding; and Data.
- Analysis of CBO Management Information and internal reviews by The National Lottery Community Fund, including Project Monitoring Reports submitted by projects and surveys of CBO applicants and intermediaries.
- Analysis of project-local evaluations.
- Rapid Evidence Assessment of independent evaluations and other key research on SIBs in the UK.
- Series of learning events including seminars with CBO-funded projects, investor breakfast meetings, presentations at multiple conferences, and regional knowledge clubs with commissioners and service providers.

1.4 The impact of Covid-19 on the programme and evaluation

The National Lottery Community Fund held an informal consultation to examine the impact of Covid-19 with all live projects and the four main investment management organisations in April 2020 The National Lottery Community Fund agreed CBO programme changes in May 2020 and, at the time the evaluation received information from The National Lottery Community Fund (September 2020), The National Lottery Community Fund was implementing the following changes with individual projects:

- 15 families/projects moved to online delivery platforms supported by their commissioners and investors. Two of these saw increases in service user uptake possibly linked to the accessibility of WhatsApp for service users.
- Eight families/projects, particularly those supporting health-related outcomes, needed to bring in additional soft outcomes payments to help sustain projects where the existing outcomes metrics did not generate outcomes due to barriers to access. The National Lottery Community Fund was supporting these for an initial six months to September 2020, with a review point by October 2020 to allow for further extension at The National Lottery Community Fund's discretion. These were normally agreed at the expected contract median scenario and had been agreed for six projects in October 2020, with further information awaited from the remaining two projects.
- Seven projects wanted to extend the length of their projects, so The National Lottery Community Fund extended the length of the programme by up to a year to March 2024, allowing delivery to run to August 2023. Extensions of length had been agreed for four projects, with agreement on the remainder due by April 2021.
- Commissioners in five projects moved temporarily to a fee-for-service block payment arrangement, with one blending fee-for-service and outcomes. The National Lottery Community Fund agreed this, subject to the commissioners aiming to return to a full outcomes model from between October 2020 and April 2021. In these projects The National Lottery Community Fund supplemented this by

paying for soft outcomes. In two projects both the commissioners and CBO paid for soft outcomes temporarily

- Commissioners in two projects asked to adapt service user targets to widen age ranges. The National Lottery Community Fund agreed this in one case and, subject to final metrics, intended to agree to this in the other.
- Two projects paused delivery temporarily. The National Lottery Community Fund was working with the projects to support them to return to delivery. One returned to delivery in June 2020 and the other was anticipated to re-start in September 2020.

The information in this report focuses on activity in the CBO programme before lockdown measures were introduced in England. The evaluation will examine how the projects have been affected by Covid-19 in the next Update Report.

During the pandemic the evaluation team continued with the in-depth reviews that were in progress. The team delayed commencing new in-depth review research during the first two months of lockdown, resuming these in May 2020. Consequently, the information in this report focuses on activity in the CBO programme before lockdown measures were introduced in England. The evaluation will examine how the projects have been affected by Covid-19 in the next Update Report.

1.5 Structure of the remainder of the report

The remainder of the report is structured as follows:

- Chapter 2: SIBs: The Metamorphosis: Comparative analysis of nine SIB models: In this section we provide a detailed analysis of the nine in-depth review families. We describe the general characteristics of the projects and the characteristics of the impact bond models.
- Chapter 3: Motivations and process to launch SIBs: This chapter explores the motivations that stakeholders in the nine in-depth review families had for launching an impact bond. It also focuses on the lessons learnt in designing and launching the projects.
- Chapter 4: Progress of the CBO projects part-way through delivery: This section describes the progress of the CBO projects, drawing on outcome data and emerging findings from the mid-point and final in-depth reviews.
- Chapter 5: Conclusion: This section draws some overall conclusions and considers in particular whether our evaluation of the CBO-funded projects indicates whether impact bonds 'work'.
- Glossary: The report includes a set of technical terms, and this glossary provides definitions for these terms. Where they are first used, there is a footnote with a definition for the term.
- Bibliography.

The chapters are split into sections focusing on findings, and evaluative insight. The 'findings' sections focus on the evidence from the evaluation. In the 'evaluative insight' the evaluators draw on the evaluation findings, and wider literature and debates to consider the implications of the findings for the wider impact bond landscape. Whilst based on evidence, they should be regarded as 'thought pieces'.

2. SIBs: The Metamorphosis: Comparative analysis of nine SIB models

"The several hundred kinds of hawthorn laugh at the single name they're forced to share." (Overstory, Richard Powers)

In this chapter we provide a detailed analysis of the nine families of projects that feature as in-depth reviews in the evaluation. We describe the general characteristics of the projects and the characteristics of the impact bond models.

The evidence for this section is primarily drawn from the evaluation in-depth review baseline reports, though it also draws on local evaluations of projects from across CBO and the project monitoring reports. Where possible it compares the characteristics of the projects with other impact bonds in the UK, and also considers the implications of these findings for the wider understanding and debate of impact bonds.

2.1 General characteristics of the projects

In this sub-section, we provide a broad description of the general characteristics of the nine in-depth review families of projects.

Table 2.1 below provides an overview of the general characteristics of the in-depth review families, including the number of projects per family, their main policy area, intervention type, scale (in terms of the number of service users the families aim to reach), the contract duration (under CBO), the number of commissioners and providers, and whether investment is managed by an IFM, and if there are single or multiple investors. Further information on many of these aspects is provided throughout this chapter.

Table 2.1: The general characteristics of the in-depth review families of projects

Project(s)	Number of commissioners	Policy area	Intervention type	Cohort size	Duration (months)	Providers	SPV	Investment planned	Investors	Location
Ways to Wellness	1 (Newcastle Gateshead CCG)	Health and wellbeing	Improving life with a long term condition	>3000	84	Two or more VCSE providers	Ways to Wellness	£1.7m	Investment fund manager (IFM)	North East
Reconnections	4 (Worcestershire CC, Redditch and Bromsgrove CCG, South Worcestershire CCG, Wyre Forest CCG)	Health and wellbeing	Reducing high end need	1001-3000	53	Two or more VCSE providers[24]	Reconnections	£0.85m	Multiple investors (incl. IFM)	West Midlands
MHEP (6 projects)	1 (Staffordshire CC)	Employment and training	Improving life with a long-term condition	1001-3000	42	Single VCSE provider	MHEP	£400k initial investment (used across the 3 projects)	IFM	West Midlands
	1 (London Borough (LB) of Haringey)	Employment and training	Improving life with a long-term condition	101-500	36	Single VCSE provider	MHEP		IFM	London
	1 (Tower Hamlets CCG)	Employment and training	Improving life with a long-term condition	1001-3000	48	Single VCSE provider	MHEP		IFM	London
	1 (LB Barnet)	Employment and training	Improving life with a long-term condition	101-500	9	Single VCSE provider	MHEP	£250k investment (used	IFM	London

[24] Reconnections originally had 7 providers but reduced the number midway through contract delivery

Project(s)	Number of commissioners	Policy area	Intervention type	Cohort size	Duration (months)	Providers	SPV	Investment planned	Investors	Location
	1 (LB Camden)	Employment and training	Improving life with a long-term condition	1001-3000	42	Single VCSE provider	MHEP	across the 3 projects)	IFM	London
	1 (LB Enfield)	Employment and training	Improving life with a long-term condition	101-500	30	Single VCSE provider	MHEP		IFM	London
HCT (3 projects)	1 (LB Lambeth)	Education and early years	Reducing high end need	101-500	36	Single VCSE provider	N/A[25]	£2.8m used across the 3 projects (reduced to £900k)	IFM	London
	1 (Norfolk CC)	Education and early years	Reducing high end need	101-500	24	Single VCSE provider	N/A		IFM	East of England
	1 (Surrey CC)	Education and early years	Reducing high end need	101-500	12	Single VCSE provider	N/A		IFM	Southern England
West London Zone (2 projects)	5+ (LB H&F, schools, 1 philanthropic co-commissioner)[26]	Education and early years	Prevention	501-1000	53	Two or more VCSE providers[27]	West London Zone	£750k	IFM	London

[25] Whilst technically all the projects have a SPV, we have differentiated between those that have an active role in performance management, and those that are merely legal entities through which the finances flow. Where they are merely legal entities, we have classed it as N/A.

[26] Other philanthropic funders exist, though they are not paying on outcomes

[27] West London Zone has a network of delivery providers – only 8-10 are commissioned to deliver a year depending on the needs of the cohort.

Project(s)	Number of commissioners	Policy area	Intervention type	Cohort size	Duration (months)	Providers	SPV	Investment planned	Investors	Location
	5+ (RB Kensington & Chelsea & schools)[28]	Education and early years	Prevention	101-500	24	Two or more VCSE providers	West London Zone	£530k	IFM	London
Positive Families Partnership	5 + (London Boroughs of Bexley, Merton, Newham, Sutton, Tower Hamlets, Richmond and Kingston, Haringey and Hounslow)	Children and family welfare	Reducing high end need	501-1000	66	VCSE and public sector	Positive Families Partnership	£3.5m	IFM	London
Be the Change	1 (First for Wellbeing CIC)	Homelessness	Reducing high end need	201-500	45	Single VCSE provider	N/A	£94k	IFM	East Midlands
EOLCI Telemedicine SIB (5 projects)	5+ (H&F CCG (coordinating commissioner), Central London CCG, West London CCG, Brent CCG, Hounslow CCG, Harrow CCG, Hillingdon CCG and Ealing CCG)	Health and wellbeing	Acute	>3000	48	VCSE and public sector	End of Life Care Incubator (EOLCI)	£1.4m	IFM	London
	Across London (8 LAs)	Health and wellbeing	Acute	1001-3000	36	VCSE and public sector	EOLCI	£200k (later £350k)	IFM	London

[28] Philanthropic funders also exist, though they are not paying on outcomes

Project(s)	Number of commissioners	Policy area	Intervention type	Cohort size	Duration (months)	Providers	SPV	Investment planned	Investors	Location
	Hillingdon	Health and wellbeing	Acute	1001-3000	36	VCSE and public sector	EOLCI	£1.5m	IFM	London
	Waltham Forest	Health and wellbeing	Acute	201-500	15	VCSE and public sector	EOLCI	£1.5m	IFM	London
	Somerset	Health and wellbeing	Acute	>3,000	36	Single VCSE provider	EOLCI	£433.5k	IFM	London
EJAF Zero HIV	1 (LB of Lambeth)	Health and wellbeing	Prevention	>3000	36	VCSE and public sector	EJAF	£2m	IFM & 2 VCSE investors	London
Children in Care Contract	1 (Birmingham Children's Trust CIC)	Children and family welfare	Reducing high end need	51-200	84	Private Sector	Core Assets	£1m	IFM and Private Sector Investor	West Midlands
Bradford Positive and Included	4 (Bradford MDC, Airedale CCG, Wharfedale CCG, Craven CCG)	Children and family welfare	Reducing high end need	<50	84	VCSE and public sector	n/a	£500k	IFM	Yorkshire and the Humber
Devon Lifestyle Intervention Programme	1 (Devon CC)	Health and wellbeing	Improving life with a long term condition	>3000	72	VCSE	n/a	£1m (later increased to £1.4m)	IFM	South West England

Project(s)	Number of commissioners	Policy area	Intervention type	Cohort size	Duration (months)	Providers	SPV	Investment planned	Investors	Location
Positive Behaviour Support Services – Commissioning for Outcomes Framework	1 (LB Haringey)	Children and family welfare	Reducing high end need	<50	72	VCSE	n/a	£0 (PbR with no social investment)	None (PbR con-tract)	London
Community Owned Prevention	1 (NE Lincolnshire CCG)	Health and wellbeing	Improving life with a long term condition	1001-3000	72	VCSE	n/a	£400k	IFM	East Midlands
Turning the Tide	1 (North Somerset LA)	Children and family welfare	Prevention	201-500	84	Private Sector	Core Assets	£1.6m	IFM and Private Sector Investor	South West England

Source: In-depth reviews and CBO MI supplied by The National Lottery Community Fund.

Table 2.1 above shows that the in-depth review families cover a diverse range of areas, working across different policy areas, of different sizes and duration, and with a range of different partners involved.

In terms of policy area, the broad area of 'health and wellbeing' has the highest number of families (n=4), but each of these families have different aims in terms of their intervention type: WtW aims to support people whose daily lives are impacted by long-term health conditions, to improve their quality of life and reduce their use of mainstream health services. The EJAF Zero HIV project on the other hand is a preventative health project; it aims to prevent incidence of HIV/AIDS and its associated complications, by detecting people who have HIV and are not being treated. The EOLCI project provides an acute health service, whereby it aims to support the development, delivery and sustainability of community-based end of life care services. Finally, Reconnections aimed to reduce loneliness amongst people aged over 50 in Worcestershire.

The other families in our sample all operate primarily in different policy areas, although HCT and WLZ cut across multiple policy areas, including education, early years and children's services. Overall, the sample of in-depth review families is broadly representative of all projects launched successfully through the CBO programme, with most falling in the realm of health, followed by children's services and early years.

Four of the in-depth review families are aimed at reducing high-end need and have been built on the assumption that through earlier intervention, commissioners can avoid later costs, and/or benefit from cashable savings, through which they are able to pay for the projects (covered in more detail in the later section: Dimension 6: Degree to which project is built on an invest-to-save logic):

- PFP aims to prevent young people from entering into care placements, where safe to do so
- Be the Change aimed to support young adults who are homeless and unemployed to sustain accommodation and engage with education, employment or training, with the aim of breaking the cycle of dependency
- Reconnections aimed to reduce loneliness or isolation amongst people over 50, leading to improvements in health and reduced incidents of some long-term health conditions
- HCT aimed to support young people with Special Education Needs or Disabilities (SEND) to travel on public transport rather than in specialised and dedicated transport such as taxis or minibuses, to help improve their independence and wellbeing, and enhance their life chances as they become adults.

Two of the in-depth review families aim to improve life for people with a long-term condition (either related to mental or physical health conditions). Along with WtW (which was mentioned earlier), MHEP aimed to address the employment support needs of service users with severe mental health conditions, by having an employment advisor embedded in local mental health professional teams and providing support to both the employee and employer to ensure sustainment of any job placements.[29]

Two others take a prevention approach; EJAF Zero HIV provides preventative health provision, and WLZ brings together public, private and VCSE agencies to better commission and deliver early intervention services, to collectively remove barriers to opportunity encountered by children within a targeted area in West London.

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[29] Across CBO more broadly, there are other health-related outcomes-based contracts, including a social prescribing project in North East Lincolnshire, called 'Thrive', and the 'Healthier Devon' project that aims to prevent the development of Type 2 diabetes amongst service users.

The projects aiming to reduce high-end need typically have smaller cohort sizes (typically less than 500) than the projects that are aiming to improve life for people with a long-term condition (over 1,000).

The projects aiming to reduce high-end need typically have smaller cohort sizes (typically less than 500) than the projects that are aiming to improve life for people with a long-term condition (typically over 1,000). This may reflect the more intensive work needed to support these cohorts (for example, PFP and Be the Change both aim to provide intensive support to young people), or the number of people who are available to support (for example, the number of children on the edge-of-care in a LA is relatively small, compared with, for example, the number of people aged over 50 who are experiencing loneliness in Worcestershire). The three health projects all have comparatively large target cohort sizes or target groups (over 3,000 for WtW, EJAF Zero HIV and EOLCI), although some of the non in-depth review health-related projects (such as Positive Behaviour Support Services – Commissioning for Outcomes Framework or Bradford Positive and Included) have 'micro cohorts' with six and four users per annum respectively.

The majority (n=8) of the in-depth review families last between 3 and 4 years. This average duration is no major surprise – our research into SIB propositions that were explored by their advocates for feasibility but then not launched, found that SIBs lasting 5+ years were generally unpalatable for both commissioners (because they could span electoral cycles) and investors (because they would have to wait a long time to receive their return on investment) (Ronicle, et al., 2017).

While the length of the interventions are generally between 3 and 4 years, some projects have tracking periods post-intervention to allow for the capture of longer-term outcomes. For example, Reconnections ended in March 2020, but outcomes for the 18-month post-baseline measure will be collected up to late summer 2021. Similarly, PFP will track the cohort of young people for two years post-intervention, claiming an outcome for every seven consecutive days within that period that a young person remains out of care. The exception to this 3-4 year average is WtW, which will run for 6 years under the CBO programme. This may reflect the comparatively large cohort size for WtW (n=8,500), and the need for the project to have sufficient time to support, and achieve outcomes for, this number of service users. It also reflects

The majority (n=7) of in-depth review families have multiple commissioners involved…This is an interesting development, considering that our previous research in the CBO evaluation has found that commissioners have sometimes struggled to engage other commissioners into co-commissioning arrangements at the development phase.

the design of this project, in terms of the need to measure the outcomes for the cohort against a comparison group, over time.

In terms of parties involved, the in-depth review families represent a range of different configurations of commissioner, provider and investor involvement. The majority (n=7) of families have multiple commissioners involved. In some cases, the projects have been co-commissioned by multiple commissioners, such as in PFP (originally five, but now ten London Boroughs) or WLZ (a mix of a LA, schools and philanthropic organisations). This is an interesting development, considering that our previous research in the CBO evaluation has found that commissioners have sometimes struggled to engage other commissioners into co-commissioning arrangements at the development phase, particularly when working across sectors as in health. In other cases, multiple commissioners have entered into multiple contracts with a provider (such as HCT, which has contracts with London Borough of Lambeth and Norfolk County Council, as well as running in Surrey County Council for a year from 2019). Only two of the projects within the in-depth review families have one commissioner: WtW (Newcastle Gateshead CCG) and Be the Change (originally First for Wellbeing CIC, then Northamptonshire CC).

Most of the in-depth review SIBs have multiple providers; perhaps reflective of one of the motivations for launching a SIB, which is to enable specialist organisations to participate in PbR contracts (see Dimension 4: Role of VCSEs in service delivery). Be the Change and HCT, as two provider-led families, were delivered by a single provider (Mayday Trust and HCT, respectively). By April 2019 there were 220 VCSE organisations, 1 private sector organisation and 8 public sector organisations delivering interventions funded by CBO.

All but one of the in-depth review families received at least some investment from one of three investment fund managers (IFMs): Bridges Fund Management (BFM), Big Issue Invest (BII) or the Care and Wellbeing Fund (see Dimension 3: Nature of capital used to fund services).

In terms of location, four of the in-depth review SIB families are operating in London (usually in specific areas or boroughs, rather than across the region) and three are in other parts of the UK (Tyne and Wear, West Midlands and the South East). HCT and MHEP held multiple contracts with multiple commissioners, and operated across various areas.[30]

By April 2019 there were 220 VCSE organisations, 1 private sector organisation and 8 public sector organisations delivering interventions funded by CBO.

[30] Across CBO, ten SIB projects are based in London, three are in the West Midlands, two are in the South West and Yorkshire respectively, and one each in East Midlands, East, South and North East.

2.2 Characteristics of impact bond models

In this sub-section we explore the characteristics of the impact bond models in the nine in-depth review families. We explore how the impact bond models vary, how they compare against what we have termed a 'textbook' SIB, and what might explain the differences between the models. Throughout this section we also use the analysis to explore the extent to which the families align with the original SIB concept, as set out by the first proponents (Cohen, 2011; Corrigan, 2011; Mulgan et al., 2011; Social Finance, 2011; Cabinet Office, 2012, as cited in the *Evaluation of the Social Impact Bond Trailblazers in Health and Social Care: Final Report* (Fraser, et al., 2018)). These were:

- an innovative partnership between private and/or socially minded investors, commissioners and non-profit service providers[31], often coordinated through SIB specialist organisations, to tackle deeply ingrained social problems;
- improved social outcomes for service users and cashable savings for commissioners;
- financial risk transfer from the public sector to investors;
- rigorous evaluation to ensure that improvements in social outcomes are measured and attributable to the SIB-financed interventions; and
- return on investment to investors dependent on achievement of outcomes.

2.2.1 Framework for analysis: The SIB dimensions

To compare how the SIB characteristics vary across the nine in-depth review families, we first have to establish what characteristics a SIB typically has. As a framework for this analysis we draw on the four SIB dimensions set out by the Government Outcomes Lab (GO Lab) (Carter, et al., 2018) and further developed by Dr Eleanor Carter (Carter, 2020) (see Figure 2.1). These are the four key dimensions along which SIBs vary, according to a systematic review undertaken by GO Lab:

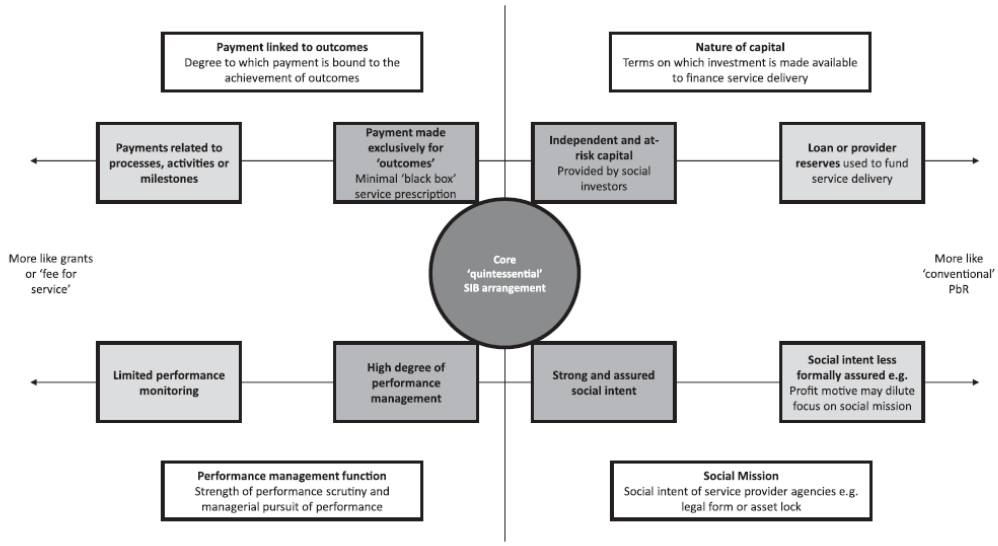
- The degree to which a commissioner pays on outcomes - i.e. the nature and strength of Payment by Results (PbR)
- The nature of capital used to fund services and level of (financial) risk appetite
- The degree to which social intent or motivation is assured through the legal form of mission of provider organisations
- The strength of the performance management function associated with the SIB project.

Based on these four dimensions, a 'textbook'[32] SIB would include the following characteristics:

- Payment made exclusively for outcomes
- Independent and at-risk capital provided by social investors
- Strong and assured social intent of the provider
- High level of performance management.

[31] By 'innovative partnership', this is referring to the fact that it is rare for these types of organisations to work together on a project.
[32] In the four dimensions this is referred to as a 'core' SIB, though it is referred to across other literature and by other stakeholders more generally as the 'textbook' SIB. We have chosen to refer to it as the textbook SIB because it reflects the fact that this is how they were originally conceived.

Figure 2.1: Dimensions of variation in SIBs



Source: Carter, 2020, adapted from Carter et al., 2018.

Our ambition, therefore, was to assess how the nine in-depth review families varied across these dimensions. These dimensions were not originally intended to be used as a framework for analysis, however, and we adapted the dimensions to enable them to be used in this way. In particular, we made four substantial changes to the framework, in consultation with GO Lab, to aid our comparative analysis:

- We separated out the 'payment linked to outcomes' into two separate dimensions – the 'nature' of the payment for outcomes (degree to which payments are linked to outcomes) and the 'strength' (the level of rigour in the outcome measurement of the PbR element).
- We created a scale of the dimensions, to enable more detailed mapping of how the projects varied across them.
- We renamed the 'social intent' dimension to focus on whether the service provider is a Voluntary, Community and Social Enterprise (VCSEs) organisation or not. This is the underlying focus of this dimension and to categorise the projects based on their social intent felt disingenuous.
- We added another dimension in relation to cashable savings (and the extent to which these cover the outcome payments). Whilst this does not feature in the four dimensions, it does feature in the original concept of SIBs and so we think worth exploring.

The updated SIB dimensions are summarised in Figure 2.2 and detailed in Table 2.2. When reviewing these and the remainder of this section, it is important to note the following:

- Each dimension has been quantified so that the different SIB 'shapes' can be mapped and placed on a radar chart (see Figure 2.2).. It is important to note that:
    - These are **not value judgements** – a 3 does not mean that the family is 'better', rather that it more closely aligns with what was originally envisaged as a SIB. It is also important to note that the 'textbook' SIB is, to a degree, an abstract concept.
    - Each project has been placed on the scale by the evaluation team rather than the stakeholders from each of the families, based on comprehensive information gathered during the IDRs.
- This section describes the characteristics of each family at its launch, as documented in the in-depth reviews. Since launch, some of the families' positioning against these dimensions has changed over time as they have evolved; we will provide a thorough analysis of this in the 4th Update Report, once all the mid-point in-depth reviews are complete. We provide partial qualitative analysis of the changes to date in the projects where we have undertaken mid-point reviews, in Chapter 4 of this report.
- There is substantial nuance across these dimensions, which we have sought to capture in this chapter. The reader can access more information on each project in the evaluation in-depth reviews.

Figure 2.2: Summary of SIB dimensions used for comparative analysis

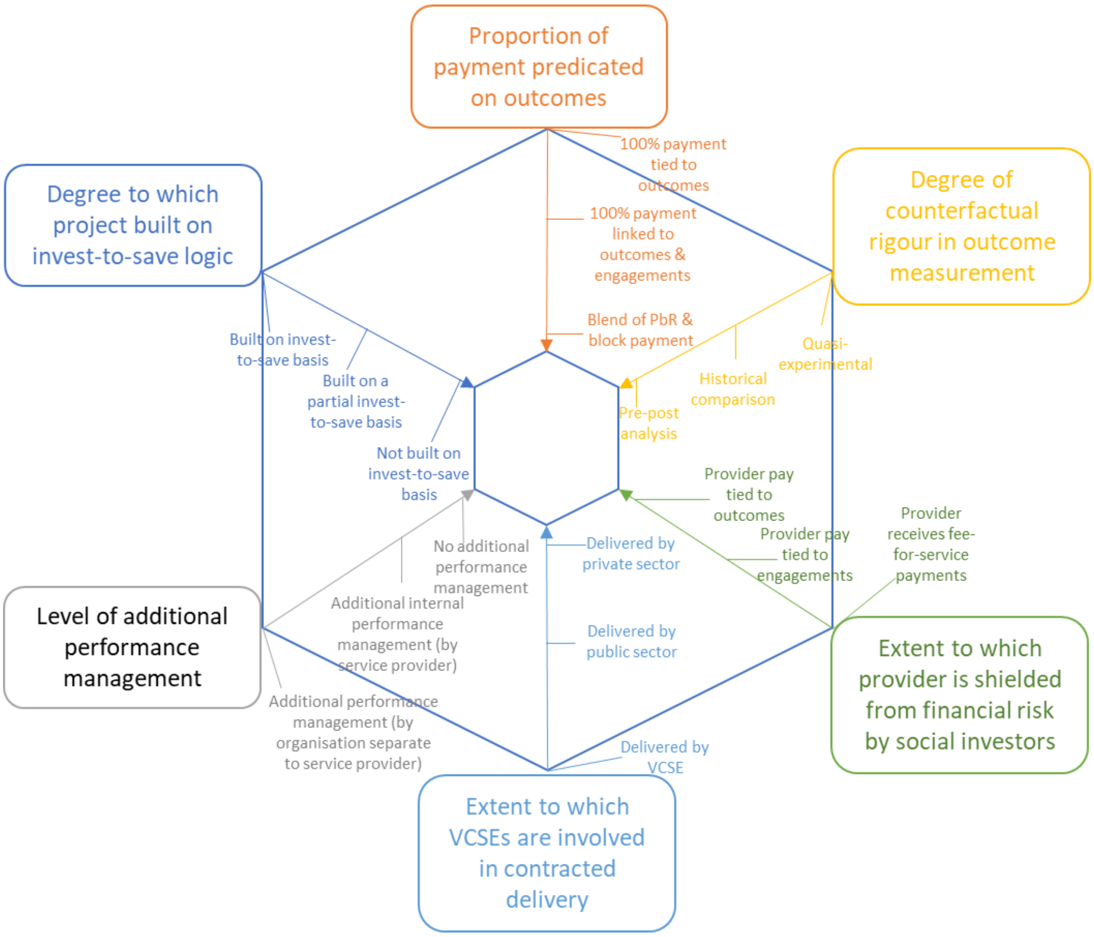


Table 2.2: SIB dimensions

Dimension	1: Nature of payment for outcomes	2. Strength of payment for outcomes	3. Nature of capital used to fund services	4. Role of VCSE in service delivery	5. Management approach	6. Invest-to-save
Question examining degree to which each project aligns with SIB dimensions (1 = a little, 3 = a lot)	*To what extent is the family based on payment for outcomes?*	*To what extent does the outcome measurement approach ensure outcomes can be attributable to the intervention?*	*To what extent is a social investor shielding the service provider from financial risk?*	*Is delivery being provided by a VCSE?*	*How is performance managed?*	*To what degree is the family built on an invest-to-save logic?*
Scale	3 - 100% PbR and 100% of the PbR is tied to outcomes 2 - 100% PbR, with a mix of outcome payments and engagement/output payments 1 - Partial PbR: Split between fee-for-service payments and PbR	3 - Quasi-experimental 2 - Historical comparison 1 - Pre-post analysis	3 – Investor taking on 100% of financial risk; service provider fully shielded and receives fee-for-service payments 2 – Investor and service provider sharing risk; service provider paid based on number of engagements 1 – Investor and service provider sharing risk; service provider paid (at least in part) on outcomes and/or has to repay some money if outcomes not achieved	3 - VCSE service provider 2 - Public sector service provider 1 - Private sector service provider	3 - Intermediated performance management: An organisation external to the ones providing direct delivery of the intervention is monitoring and managing the performance of service providers 2 - Hybrid: A 'social prime' organisation is responsible for managing the performance of their own service provision, and the performance of other service providers 1 - Direct performance management: The organisation delivering the service is also responsible for managing their own performance, and there is no external intermedia	3 – SIB designed on invest-to-save logic, with savings generated used to pay for outcome payments 2 – SIB designed on a partial invest-to-save logic; SIB anticipated to generate savings to commissioner but these are either not cashable and/or will not cover the full outcome payments 1 - SIB not designed on invest-to-save logic; savings either do not fall to outcome payer and/or savings not a key underpinning logic for pursuing a SIB

2.2.2 Mapping the CBO in-depth review families against the SIB dimensions

In Figure 2.3 we provide the average positioning for the CBO in-depth review families, in Figure 2.4 we show the positioning of all the in-depth review families on one chart, and in Figure 2.5 we provide individual radar charts for each of the nine in-depth review families. In Table 2.3 we provide these numbers in table format.

These figures and table show the following:

- Figure 2.4 shows that the in-depth review families are, on average, different to the textbook SIB on every dimension. However, the degree to which the families differ to the textbook SIB varies across the dimensions. In terms of dimensions that are very similar to the textbook SIB, all these families are broadly delivered by VCSEs, have a high level of additional performance management and the majority (6) tie all payments to outcomes. But we see a move away from the original SIB notion in terms of the level of rigour in outcome measurement and testing, and the degree of financial risk taken on by the investors.
- Figure 2.4 shows that there is a substantial degree of variation across the dimensions within these nine families, with the exception that the use of VCSEs as service providers is almost consistent across them.
- Looking at the radar charts in Figure 2.5 it would appear that the families fall into different 'types', as they form different shapes. However, as the remainder of this chapter demonstrates, the families can be divided in so many different ways we do not think they can be neatly broken down into different 'types'.

In the remainder of this section we describe the variation across these dimensions in turn, and in the conclusion we state our views the implications of this in relation to the SIB concept. Again, we would emphasise that we are not making a judgement about whether these variations are right or wrong, or better or worse than the textbook model. We are evaluating how, why and to what extent there has been divergence form what was generally accepted to be a 'Social Impact Bond' when they first started.

Figure 2.3: Average positioning of the CBO in-depth review SIBs against the SIB dimensions

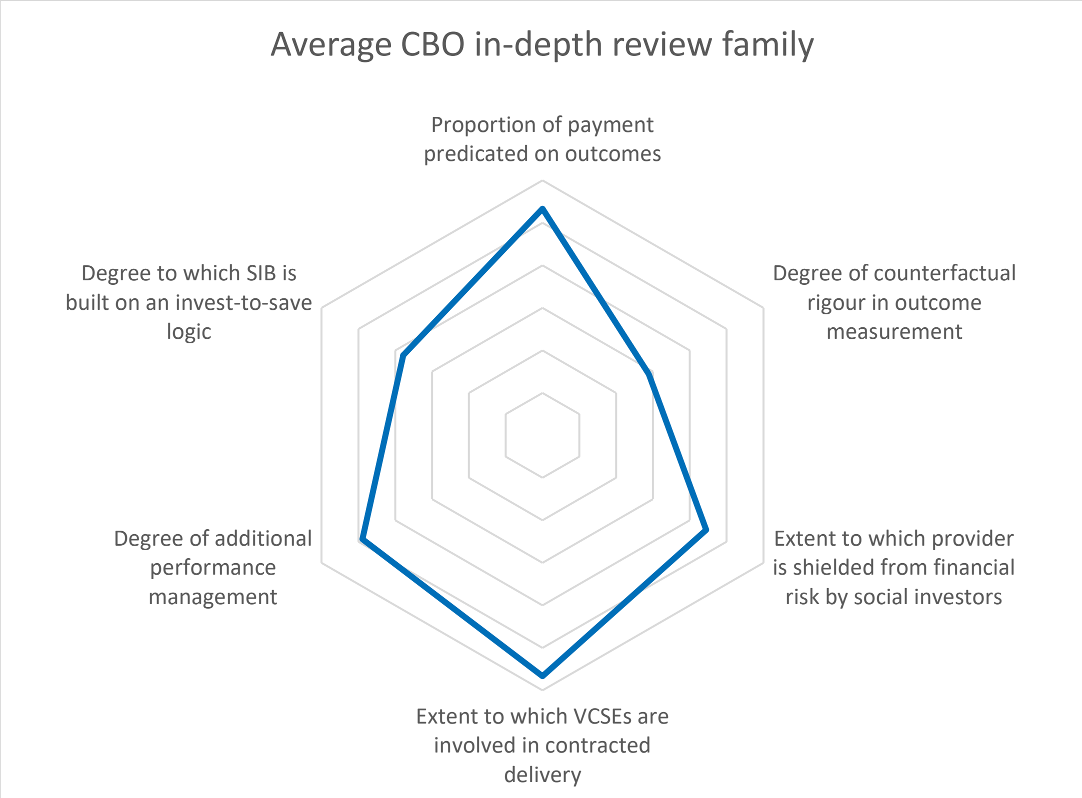


Figure 2.4: Positioning of each CBO in-depth review project against the SIB dimensions

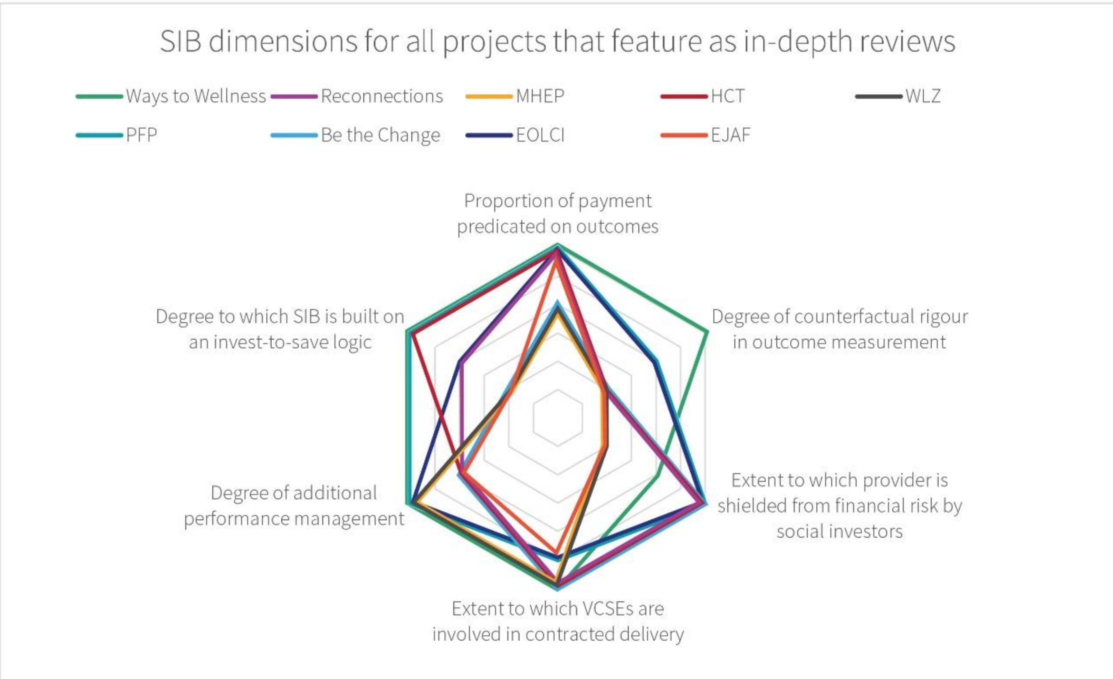


Figure 2.5: SIB dimensions for each of the CBO in-depth review families at launch

Table 2.3: SIB dimensions for each of the CBO in-depth review families

Dimension	1: Nature of payment for outcomes	2. Strength of payment for outcomes	3. Nature of capital used to fund services	4. Role of VCSE in service delivery	5. Management approach	6. Invest-to-save
Question examining degree to which each project aligns (at set up stage) with SIB Dimensions (1 = a little, 3 = a lot)	*To what extent is the SIB based on payment for outcomes?*	*To what extent does the outcome measurement approach ensure outcomes can be attributable to the intervention?*	*To what extent is the investor shielding the service provider from financial risk?*	*Is delivery being provided by a VCSE?*	*How is performance managed compared to similar interventions under PBR and fee-for-service?*	*To what degree is the SIB built on an invest-to-save logic?*
WtW	3	3	2	3	3	3
PFP	3	2	3	2.5[33]	3	3
EOLCI	3	2	3	2.5	3	2
HCT	3	1	3	3	2	3
Reconnections	3	1	3	3	2	2
Be The Change	2	1	3	3	3	1
WLZ	2	1	1[34]	3	2	1
MHEP	2	1	1	3	3	1
EJAF Zero HIV	3	1	1	2.5	2	1

[33] 2.5 means that delivery is being undertaken by both VCSE and public sector organisations.
[34] WLZ is unique in that it is both the prime contractor and a service provider. Because it provides direct services to service users, we have classed it as a service provider. It is common for prime contractors in CBO to be exposed to financial risk; however it is rarer for a service provider to be exposed to financial risk. For the majority of the other service providers in WLZ, one-fifth of their payment is based on engagement levels (a minimum of 75% of children attending sessions offered).

2.2.3 Dimension 1: Proportion of payment predicated on outcomes

Textbook SIB: 100% of payments are based on the achievement of outcomes.

CBO in-depth review family of projects: Two-thirds of the families attach 100% of payments to outcomes. In three of the families (MHEP, WLZ and Be the Change) commissioners also paid for engagements / outputs.

In the original concept of a SIB payments are attached to outcomes. The purpose of this is to transfer the financial and implementation risk away from the commissioner and onto the SIB delivery-pairing (the service provider and the investor – the extent to which these organisations then share this risk is set out in Dimension 3). In other words, in a conventional fee-for-service contract the commissioner has to pay regardless of whether any outcomes are achieved; attaching payments to outcomes is lower risk, and by extension arguably better value for money for the commissioner, because they can be sure they only pay when the service is successful.

This concept is one element that has attracted commissioners to SIBs, both in and outside of CBO. For example, one of the main driving factors for commissioning the EOLCI service through a SIB was to transfer risk away from the commissioner:

"The transference of risk from the commissioner and the provider to the investors was a key factor [in driving the decision to use a SIB]. Interviewees expressed that many CCGs do not have the risk-appetite to commission additional services without assurance that secondary care usage will be reduced; the SIB provides the risk-reduction required in order to establish the service." (EOLCI Baseline In-depth Review)

Moreover, both the CBO Evaluation and LCF Evaluations found that one of the key reasons why some SIBs did not progress was because this transfer of risk could not be assured:

"Agreeing outcomes and who would pay for them was a particular challenge for SIBs with multiple commissioners from different organisations. This could be even more difficult for provider-led SIBs where commissioners demanded unequivocal evidence of attribution and the realisation of cashable savings." (ICF Consulting Services, 2020, p. 5)

For this SIB element to hold true, two things would have to exist:

- Payment triggers are attached to the outcomes that the commissioner wants to pay for
- The commissioner is only paying for outcomes that have been achieved by the service they have commissioned.

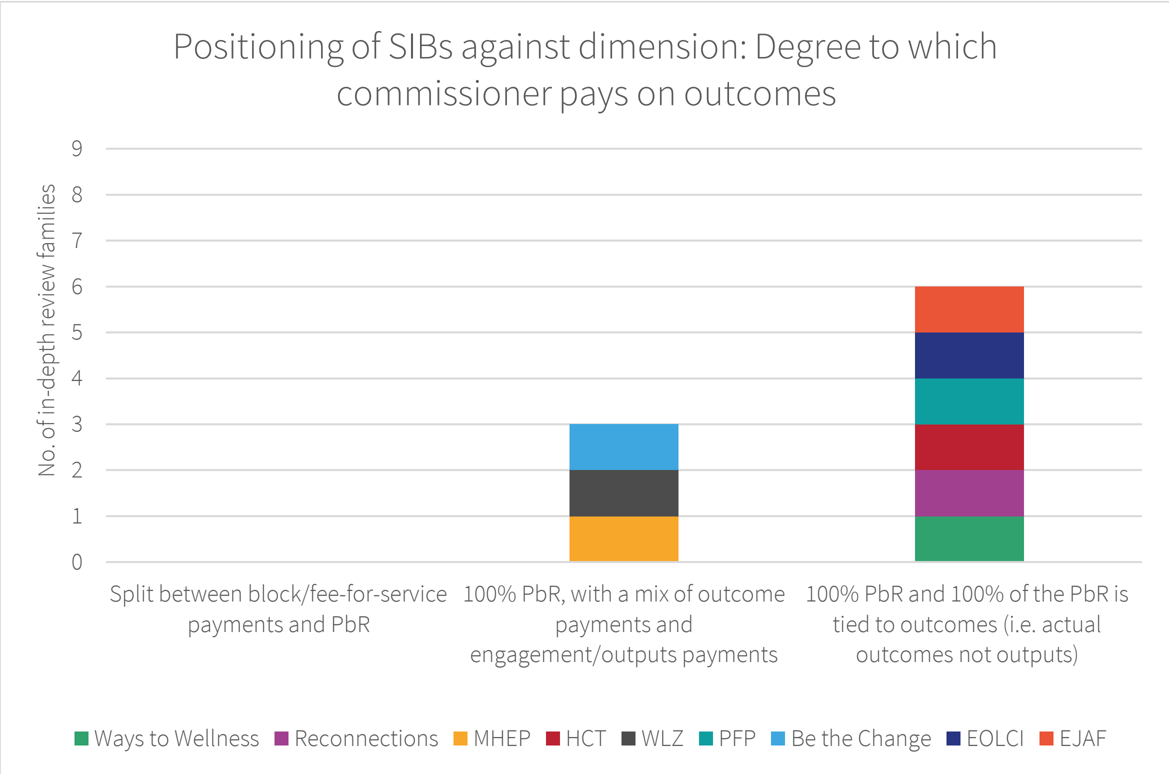
If these two factors do not exist, then the commissioner is at risk of paying for the service regardless of whether outcomes have been achieved – which is the very risk the SIB is designed to remove in the first place (in its original concept).

We explore whether the first element has 'held true' in the CBO in-depth review families in this dimension; the second element is examined through the second dimension (level of rigour in outcome measurement).

2.2.3.1 Extent to which payments are attached to outcomes

In the majority (six out of nine) of the CBO in-depth review families, this notion of wholly attaching payment to outcomes holds true (see Figure 2.6). For example, in the WtW project the commissioner (Newcastle Gateshead CCG) only pays when secondary care admissions are reduced; in EOLCI the commissioners only pay when there is a reduction in non-elective hospital admissions from care homes; and in PFP the commissioners only pay when children are avoided from being placed in care (see for example the payment mechanism for the PFP SIB in Box 2).

Figure 2.6: Variation of degree to which commissioner pays on outcomes across the CBO in-depth review projects



Note: In the Haringey MHEP project the commissioner made a block payment in Year 1, and so would be categorised as a 1 in this dimension. However, the other two projects in the MHEP family are classed as dimension 2.

Box 2: Payment mechanism where 100% of payments based on outcomes: PFP

While the PFP tracks a range of metrics to ensure a holistic understanding of a family's case, the commissioners pay for only one outcome, which is that a child remains out of care for seven consecutive days during a two-year tracking period following the intervention. A case becomes eligible for outcome payment once the service user has engaged in the service offer for a minimum of 28 days. Outcome payments start to be incurred at different time points depending on which intervention the family receives (11 weeks after the first family meeting for Family Functional Therapy (FF), and 17 weeks for Multi-Systemic Therapy (MST)). The care placement status of these young people is tracked thereafter for two years. For every seven consecutive days that they are recorded as "not in care" during this period, an outcome payment is incurred.

In three of the in-depth review families, commissioners make payments for engagement/outputs as well as outcomes. For example, in the Be the Change SIB the provider receives three payments linked to engagement, totalling £1,200: £500 for successfully engaging the service user and a further £700 for two follow-up assessments within nine months of the service user registering on the scheme. As we show in Table 4.4 later, up to March 2018 17% of outcomes to which payments were attached were for engagements, although we do not know what percentage of the total outcome payment this was.

This blend of payments attached to outcomes, engagements and assessments is common in other SIBs outside of CBO. For example, the Fair Chance Fund (FCF) included the same assessment payments as referenced above for the Be the Change SIB (as Be the Change based its rate card on the FCF one) (ICF Consulting Services, 2019).

It is interesting to note, though, that what we have not seen is a gradual shift over time away from the 100% outcome model to an outcome/engagement blend in the design of SIBs; two of the 100% outcome-based SIBs were two of the more recent to launch. It would seem then, that rather than a gradual dilution of the model, the precise split between outcomes and engagements is made on a case-by-case basis.

The main reason why SIBs are designed with a mix of outcome and engagement payments is three-fold:

1. To de-risk the investment: Arguably engaging a service user in the service and completing multiple assessment forms is easier and lower risk than achieving outcomes; therefore attaching some payments to engagements increases the likelihood that some payments will be made and reduces the overall risk of the investment. (Though this of course should not play down the inherent challenges of engaging vulnerable people in voluntary services).

2. To reduce the overall amount of investment required: Including engagement payments means the service will start receiving payments from commissioners relatively early on. This reduces the amount of working capital the service requires compared to if all payments were based on outcomes, and thereby the overall amount of investment it needs. This

therefore reduces the overall cost of the investment and thus makes the SIBs more cost-effective.

3. To incentivise specific activities: One stakeholder reported that they like engagement/activity-based payments to be included in SIBs around particular 'pinch points' in the service implementation where things typically go wrong – such as receiving referrals for services. By attaching payments to these 'pinch points' they felt it ensured commissioners and providers paid particular attention to these areas, reducing the likelihood that things would go wrong in the service. In their view, attaching payments to outcomes detracts from the purpose of this type of contract, which is to incentivise the right types of behaviour and performance. They think the payments should be linked to measures of progress, rather than outcomes per se. This view also has implications for the degree of rigour required to measure such indicators, as we discuss in the following section. An example of this is WtW, where payments under the main contract are 100% linked to outcomes as explained above, but subcontracted providers are paid a continuation payment to incentivise them to work long term (for more than 12 months) with each service user; this is crucial to the project's logic model, which is based on long-term support to reduce dependency.

2.2.3.1 Evaluative insight: Proportion of payment predicated on outcomes

This analysis highlights that some of the CBO in-depth review projects do not conform to the original SIB concept of return on investment to investors dependent on the achievement of outcomes; in these projects returns are based on a blend of engagements and the completion of assessments as well as outcomes. Thus, in these SIBs the commissioner is not transferring all financial risk away from themselves, as they still bear the risk of paying for (part of) the service even if no outcomes are achieved. Instead, in these SIBs there is a *sharing* of financial risk between the commissioner and other stakeholders involved in the SIB. In addition some SIBs have seen contracts changed since inception; they have move to a mixed engagement/outcome payment model, or increased the proportion paid for engagement. These changes are not included in the charts here as this is an analysis of their situation at project launch, but are described in Chapter 4.

Some of the rationale for paying based on engagements and assessments does make some sense, in that it has the potential to incentivise stakeholders to address particular pinch points in the projects, and may reduce the overall costs of the investment and improve the cost-effectiveness of the SIBs.

However, the other rationales for including engagement and assessment targets – most notably to reduce the investment risk, highlights an inherent tension in the SIB design and acts as a counter-weight to the argument that the design of SIBs offers a 'win-win-win' (win for commissioner, win for service provider, win for investor); that is, it reveals a tension between designing the SIB to maximise what can be important for commissioners (which would involve them paying entirely on outcomes) and what can be important for investors (which would be achieved by commissioners paying more for lower-risk engagements and assessments). At times in the CBO programme this tension has been irreconcilable and led to the halting of the SIB design process. For example, as part of our research into projects that received a CBO Development Grant but where a SIB was not launched, stakeholders were developing a SIB to support employment. Here, the commissioner wanted to pay solely for the achievement of employment outcomes. But since the specified outcomes would take five years to achieve, investors were unwilling to take this level of risk – they wanted the commissioner to pay on progress measures, which the commissioner would not agree to, and so SIB development ceased. In other cases, however, a compromise has been achieved and there is a blend of outcome and engagement targets. This compromise process is captured in the West London Zone in-depth review:

"The decision to apportion a significant amount of the payment to engagement was a main point of challenge in developing the model. The local authority reported that it would have preferred a model that focused more on the outcomes from the first year; however, WLZ felt this was too much of a risk as the evidence around the specific outcomes and the intervention in relation to referral volumes was limited." (WLZ Baseline In-depth Review).

We have also seen some isolated incidents (in WtW) where payments for assessments can lead to perverse incentives, as service users are 'parked' – they remain on the service so the service provider can continue to complete assessments with them and receive payments, even though the service user is receiving minimal support.

This means that there needs to be a more subtle narrative in relation to PbR in many SIBs – i.e. it is truer to say that commissioners may find that, in practice, they *share* the financial risk with other stakeholders in the arrangement and thereby pay *less* than they might have done under a fee for service contract, when outcomes in a SIB are not achieved.

There is a tension between designing the SIB to maximise what can be important for commissioners (which would involve them paying entirely on outcomes) and what can be important for investors (which would be achieved by commissioners paying more for lower-risk engagements and assessments). At times in the CBO programme this tension has been irreconcilable and led to the halting of the SIB design process. In other cases, however, a compromise has been achieved and there is a blend of outcome and engagement targets.

2.2.4 Dimension 2: Level of counterfactual rigour in outcome measurement

Textbook SIB: The payment model is bound up with a robust quantitative impact evaluation. Payments are only made when the outcomes achieved by service users receiving the SIB-backed service are significantly better than what would have happened without the intervention.

CBO in-depth review family of projects: In most of the projects the standard of outcome measurement is higher than has been used in previous similar situations. However, only three of the projects have an estimation of attribution built into the outcome payments.

The original concept of SIBs was that they would include rigorous evaluation to ensure that improvements in social outcomes are measured and attributable to the SIB-financed interventions (Fraser, et al., 2018). As described in the previous section, this is necessary if the SIB is transferring financial risk away from the commissioner, as it ensures the commissioner is only paying for outcomes that the service achieved. Without this the commissioner is at risk of paying for outcomes that could have occurred anyway, and therefore the commissioner retains some financial risk.

Counterfactual studies are also important if the purpose of the project is to test whether a service is effective. However, this does not necessarily mean outcome payments have to be attached to such studies.

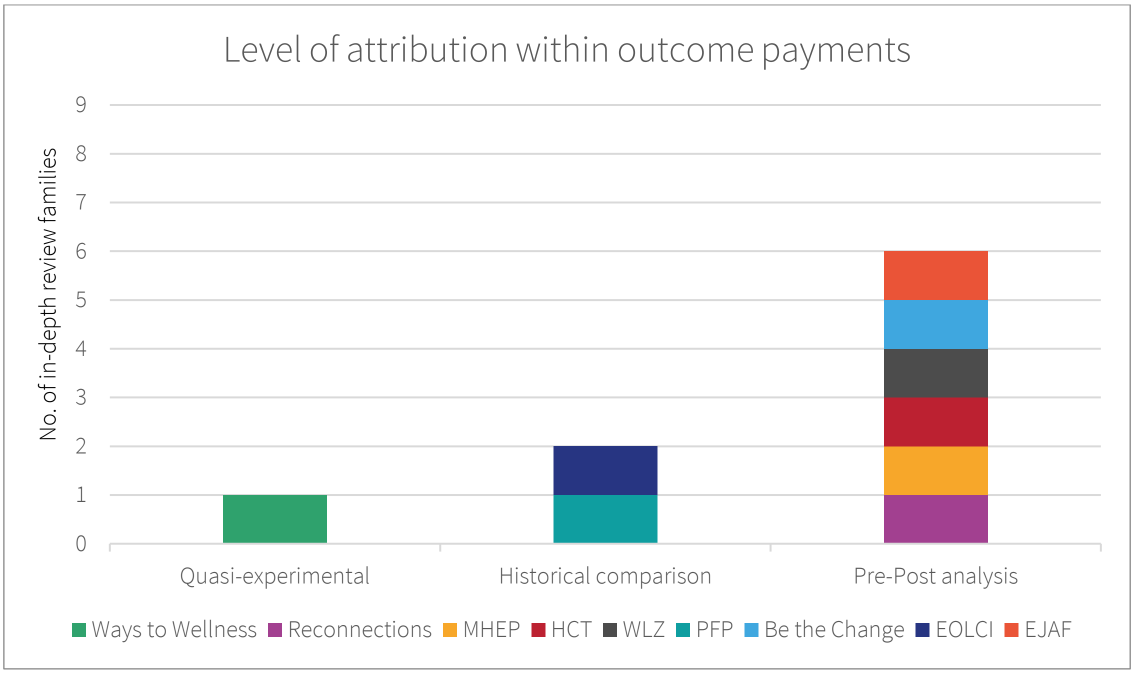
In this sub-section we examine two elements in relation to outcome measurement:

- The degree to which an estimation of attribution is built into outcome payments
- The degree to which the outcome measurement used for outcome payments is based on objective data.

2.2.4.1 Estimating attribution

While it is arguable that no measure of attribution can be perfect in social policy areas, across the nine in-depth review families or projects, only three attempt to ensure the commissioner only pays for outcomes that can be reasonably attributed to the project (Figure 2.7). In WtW payments are only made if outcomes exceed those achieved by a comparison group (Box 3). In PFP they have used historical data to estimate a defined percentage of cases they avoid going into care that would likely have occurred anyway, and the commissioner does not pay for these outcomes (Box 4). In EOLCI, payments are only made when performance is greater than historical benchmarks.

Figure 2.7: Variation of degree to which estimation of attribution is built into outcome payments in CBO in-depth review projects



Box 3: Example of building attribution into outcome payments: WtW

70% of the outcomes payments are made against reduced costs of secondary healthcare services. Progress is measured through a counterfactual – comparing secondary care costs of patients in Newcastle West with patients with similar characteristics in Newcastle North and East. The project accesses HES (Hospital Episode Statistics) data from the North East Commissioning Service (NECS) to inform the counterfactual. The CCG will pay a maximum of £332.50 per patient per annum; the maximum amount will be paid if there is a 22% reduction in the annual secondary care costs of a cohort of patients from the West compared to the patients in the comparison group.

Box 4: Deadweight assumption built into outcome payments: PFP

Social Finance, who undertook the business case for the SIB, did some early work to estimate the counterfactual (that is, in the absence of an intervention, estimating the numbers of children on the edge of care, who would have not actually gone into care). They examined historical data on the levels of children on the edge of care who did not end up in care, and then calculated the percentage of cases that could be appropriate for MST or FFT. They then used the current data (at the time) and applied these percentages to estimate how many children they expected to prevent from going into care through the two interventions. The outcome payments are capped - when the commissioners reach a 75% success rate (this is across the partnership, not per individual LB). However, this cap may change, subject to more boroughs joining the SIB.

To the best of our knowledge the remaining six projects have not built any attribution estimates into the payment mechanisms. Instead, the commissioner pays for all outcomes that occur, with no allowance for outcomes that might have occurred anyway (sometimes called deadweight).

Moreover even where there is an allowance for deadweight in the SIB payment mechanism this is only an estimate of outcomes not attributable to the intervention, and is a less rigorous measure of attribution to a properly designed counterfactual – which measures what has actually happened as opposed to what the SIB designers estimate will happen based on data analysis or previous research.

Similar to the first dimension, this 'dilution' of the SIB concept is common across impact bonds in the UK. To our knowledge the WtW SIB is the only SIB in the UK (after Peterborough Prison[35]) to include a quasi-experimental counterfactual design.

There are also some very interesting elements in relation to the use (or not) of counterfactuals:

- There does not seem to be a gradual dilution over time, as PFP – which includes a deadweight calculation – was one of the latest of these nine projects to launch. This again suggests that decisions are made on a case-by-case basis. They seem to be particularly important when commissioners hope to pay for the outcomes out of future cashable savings, as they want reassurances that the project is indeed generating additional savings that would not have occurred anyway. This was the underlying logic for introducing a counterfactual in WtW, and influenced decisions in PFP:

"After deciding on the focus of preventative interventions to keep families together, GLA [Greater London Authority] convened a larger meeting with 20-30 (of a possible 33) LBs, and Social Finance presented about SIBs and their experiences of them. Stakeholders highlighted that the meeting prompted quite "feisty discussion" and "reluctance" around the model because people were sceptical about the SIB model as a form of financing public sector provision. In particular, there were concerns from a budget-holding perspective regarding the counterfactual, in terms of how the LBs could ensure that the children supported through the

[35] https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/INDIGO-POJ-0153/

project would have actually gone into care and that they would actually be recouping the costs from future cost-avoidance savings." (Positive Families Partnership Baseline In-depth Review)

- Although counterfactuals are not being used in the outcome payments, in a number of projects they are being explored or attempted within the local evaluations. In three CBO-funded projects stakeholders are exploring the possibility of undertaking impact evaluations within the local evaluation. This approach – of not estimating for attribution within the SIB but measuring it separately – is common in SIB programmes funded by Central Government (for example, the Innovation Fund had a separate impact evaluation, and in the Youth Engagement Fund and Fair Chances Fund a counterfactual was attempted but was not feasible (Ronicle & Smith, 2020)).

The reasons given for counterfactuals not being included in the outcome payments included:

- Not feasible: It was not possible to either access data to build a comparison group, or the time-lag in the data meant this could not be used for outcome payments.
- Not seen as necessary: Stakeholders in some SIBs felt that it was so unlikely the outcomes would have been achieved without the intervention that a counterfactual study was not required:

"A complicated measurement of the counterfactual is, in [service provider's] view, not required because it is highly predictable what would happen in the absence of the intervention…" (Project Monitoring Report submitted to The National Lottery Community Fund)

- Not deemed good value for money: Some commissioners were comfortable paying for outcomes without knowing whether these were attributable to the service or not. They seem satisfied that the payment mechanism is rewarding progress against indicators, even if attribution cannot be assured. Other stakeholders feel that identifying suitable outcomes for a SIB is a complex process in itself – to add in an attribution measurement / estimate would increase costs and complexity further. Given that – as noted above – commissioners do not always ask for it, project stakeholders see this additional cost as disproportionate and unjustified.
- "Too risky for investors because of the risk that investors will not receive a return because the outcomes cannot be attributed to the intervention – what is sometimes termed as 'evaluation risk.'

In a previous Update Report we summarised the findings from a peer learning activity between WtW and Reconnections, where we explored why one project chose to use a counterfactual (WtW), whilst another did not (Reconnections). The Reconnections providers cited a number of the reasons summarised above:

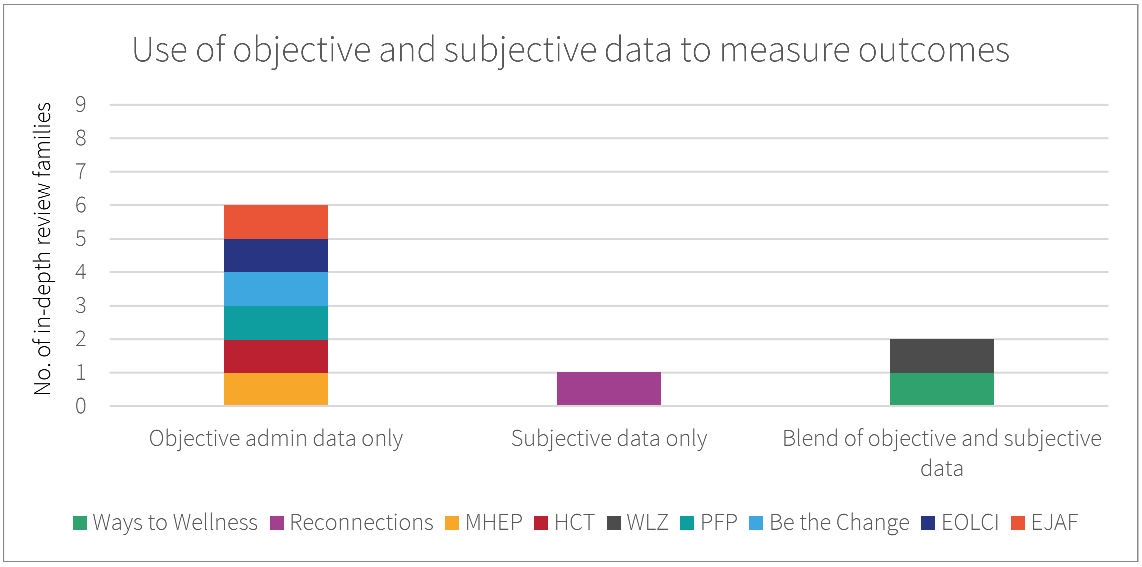
"This approach [of not tying payments to savings and not using a counterfactual] carries an element of risk for the commissioners. It is possible that the cohort's loneliness is reduced, but that this does not lead to reductions in the cohort's use of secondary healthcare…The commissioners [in Reconnections] were aware of this risk, and considered an approach similar to that adopted in the WtW SIB. However, they concluded that such an approach would be too resource intensive, and were aware that they commissioned many services with no guarantee that savings would be generated. Additionally, the intermediaries highlighted the additional risk that this causes investors, and were concerned that this would discourage investors from investing. As the SIB had multiple co-commissioners involved, the risk that the SIB would not pay for itself was spread across many parties; they therefore felt they could afford the risk." (Ronicle, et al., 2016, p. 31)

We look at the implications of this in 2.2.4.3.

2.2.4.2 Degree of objectivity within outcome measurement

Here we examine the degree to which the outcome measurement used for outcome payments is based on objective data. As Figure 2.8 shows, the in-depth review families of projects generally used objective administrative data to measure the outcomes they were paying against. All of the projects bar one (Reconnections) had payments based, at least in part, on objective administrative data. Six of these projects attached payments only to objective outcomes, two use a blend of objective and subjective data, though in these instances the subjective data is only used to pay for a minority of the outcomes. For example, in WLZ the original rate card included payments for three outcomes, two objective (attendance and attainment data) and one subjective (self-esteem). Only one SIB – Reconnections – had all outcome payments attached to a subjective measure – a reduction in loneliness.

Figure 2.8: Variation of degree to which outcome measurement is based on objective data



The rationale for including 'softer', subjective measures has been to enable the SIBs to capture a wider set of outcomes in order to ensure the SIB incentivises a holistic package of support (focusing on more than the hard outcomes, for example also focusing on service user wellbeing). It is also to ensure the outcome measures capture the experience of service users. It is interesting to note that, in the evaluation of FCF (which did not attach payments to soft outcomes), the evaluators recommended including softer measures to ensure future programmes were more holistic:

"Finally, and recognising the associated challenges, consider including 'softer' outcomes as payment triggers." (ICF Consulting Services, 2019, p. 7)

However, the Reconnections SIB, in which 100% of payments are attached to a subjective measure – i.e. reduced loneliness – suggests that it is problematic when *all* outcome payments are attached to subjective measures; the limitations of these measurement approaches means they may not accurately capture the outcomes achieved. This is discussed in further detail in Chapter 4.

2.2.4.3 Evaluative insight: Level of counterfactual rigour in outcome measurement

The notion of SIBs including rigorous evaluations to ensure that improvements in social outcomes are measured and attributable to the SIB-financed interventions appears mixed in reality. Most SIBs pay for the majority of outcomes based on objective administrative data. However, very few of those we have reviewed attach payments only to outcomes that can, with high certainty, be attributed to the service., The idea that the commissioner is transferring risk to the provider and investor is again more nuanced, therefore, as the commissioner does run the risk of paying for a service where the outcomes they have paid for would have happened anyway. This was apparent in the Innovation Fund programme, where Central Government paid £30m in outcome payments and the impact evaluation found that none of these outcomes could be attributed to the SIB interventions themselves (National Centre for Social Research, 2018). The evaluation report does state that, due to data limitations, the impact evaluation findings should be treated with caution, but nevertheless the evaluation still highlights that this is a risk.

It is hard to understand the circumstances in which the commissioner is attracted to the SIB mechanism on the assurance that service demand will be reduced / cost savings released, when this is not actually measured and so no such assurance exists. It would seem that different commissioners place different weight on the degree to which they need this assurance, and this most likely affects the rigour of the measurement process, as follows:

- Some need absolute assurance – which leads to a counterfactual design or, where that's unfeasible, the cessation of the SIB development
- Some want a notion of assurance – which leads to deadweight calculations / linking outcomes payments to degrees of engagement
- Some are content in the faith that the service has the potential to contribute to reduced demand – and so no such attribution estimates are made / actual savings are not recorded.

The limited use of rigorous evaluation within the SIB design also creates another challenge – of an **'evidence mismatch'.** Often the rationale for undertaking a SIB is to test whether an intervention is effective. However, in a number of instances across the projects stakeholders have felt they do not fully know the impact of the service through the SIB mechanism alone and have undertaken additional research to try to understand it. This evidence mismatch is due both to the fact that rigorous evaluation is not built into the SIB mechanism, but also due to the limitations around which outcomes are deemed possible to be selected in a SIB – as they usually need to be clearly defined and objectively measurable; achievable within a reasonable time period (usually around five years); the responsibility of the commissioning organisation and (ideally) generating savings (Ronicle, et al., 2017). Therefore, the outcomes selected are the ones that 'work' for the SIB, but which are not always the ones that are strategically important for the commissioners. Yet again, then, we see a tension between what works for the SIB and what is important for commissioners.

Linked to the above, similar issues have occurred when the impact / cost saving is estimated rather than actually measured. For example, in PFP (which aims to prevent children from entering care) there have been issues around commissioners referring service users 'too late' to the service to be sure that the child would not have gone into care otherwise.

"A significant, ongoing challenge for the project has been around ensuring that the 'right' young people are being referred into the service. Several stakeholders commented on the difficulty of knowing whether a young person would definitely end up in care if they did not intervene. This matters because, if social workers refer young people who actually would not have ended up in care, it would make no difference to social care teams' spend on care placements, and the commissioners would also be paying for the outcomes achieved through the SOC.

"While the contracted commissioners are much more realising that this [the SOC] is a benefit because you only pay for the ones that are successful, the people that hold the budget and social care are thinking differently. It has to come out of their budget, so they think, 'It needs to be somebody that definitely will go into care. Otherwise, I have to save money because it comes out of my budget'." – Provider (PFP)" (PFP Baseline In-depth Review)

However, it is also important to note that, whilst most of these projects do not include 'rigorous evaluation to ensure social outcomes are attributable', their measurement approaches are more robust than they were previously. For example, in MHEP there was an *"additional rigour in the measurement and validation of outcomes, which clearly were a level above how IPS services had been checked before."* (MHEP Mid-point In-depth Review)

in most of these nine projects, then, the impact bond has the potential to demonstrate a 'proof of concept', even if the evaluation approach is not at an 'academic' standard.

This discussion also masks the fact, though, that measuring outcomes in a robust way, and being able to attribute that to a single intervention, can only be achieved in some circumstances (and some would question whether it can be achieved at all). Taken in their original form, this limits the applicability of SIBs to what one stakeholder described as 'relatively closed systems' where some degree of attribution can be assumed (even if it is not measured). This means they are harder to implement in complex systems where multiple providers and external factors impact upon outcomes – a theme we expand upon in the Conclusion chapter.

Measuring outcomes in a robust way, and being able to attribute that to a single intervention, can only be achieved in some circumstances (and some would question whether it can be achieved at all). Taken in their original form, this limits the applicability of SIBs to what one stakeholder described as 'relatively closed systems' where some degree of attribution can be assumed (even if it is not measured). This means they are harder to implement in complex systems where multiple providers and external factors impact upon outcomes.

2.2.5 Dimension 3: Extent to which provider is shielded from financial risk by social investors

Textbook SIB: Capital invested by socially motivated investors is fully at risk and service providers are shielded from such risk.

CBO in-depth review family of projects;: In the majority of in-depth review families of projects (5) providers are fully shielded from financial risk by the investors. Out of the remaining four, in one project provider payments are based on engagement and in three payment is partly tied to performance. Investment is provided by socially-motivated organisations, and in all but one of the projects, the management of this investment is (all or partly) distributed across three investment fund managers.

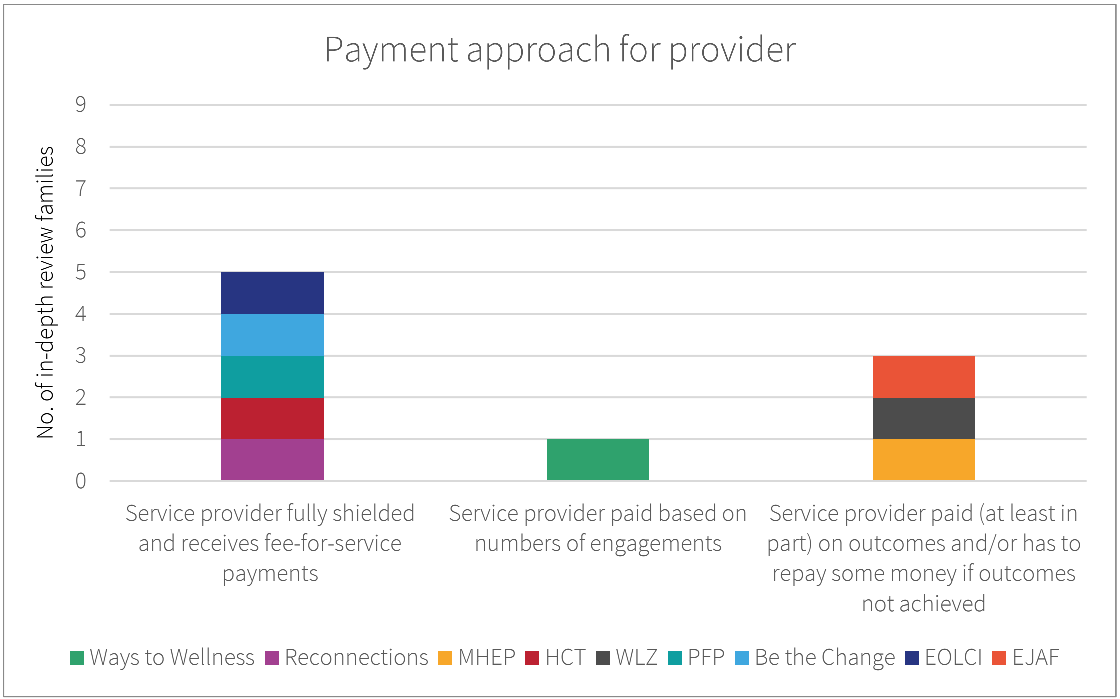
In the original SIB concept there is financial risk transfer from the public sector to investors (Fraser, et al., 2018). The SIB mechanism is *"intended to shield service providers from the risk of not being paid should outcomes not be met, as well as mitigate the cash-flow impacts of payments being deferred until outcomes are known."* (Carter, et al., 2018, p. 18) In this sub-section we examine the extent to which investors are shielding providers from financial risk, and also the type and role of investors who have invested in the nine in-depth review families of projects.

2.2.5.1 Extent to which providers are shielded from financial risk

Figure 2.9 below summarises the payment approach for providers, and in doing so shows the extent to which providers are shielded from financial risk. This shows that, in just over half of the in-depth review families of projects (five), the provider receives fee-for-service payments and so is shielded from the PbR element of the contract, with the investor taking on this risk. In some projects stakeholders considered passing a PbR payment element onto service providers but concluded this was undesirable; for example, in Reconnections, stakeholders considered this but decided not to for two reasons:

- The financial risk that the provider would need to take if they were paid based on outcomes was deemed to be too much for a VCSE to agree to. Although Age UK is one of the larger VCSEs, any model which puts financial risks onto the VCSE sector was seen to be unworkable in practice – particularly when the SIB's delivery model also included a large number of smaller VCSE organisations who had little in the way of financial reserves available.
- Any model with high financial risk placed on the provider may encourage perverse incentives where the provider would be more likely to focus their attention on 'easier' to support service users whilst at the same time discouraging them to work with harder to reach individuals.

Figure 2.9: Extent to which providers shielded from financial risk



WLZ is unique in that it is both the prime contractor and a service provider. Because it provides direct services to service users, we have classed it as a service provider. It is common for prime contractors in CBO to be exposed to financial risk; however it is rarer for a service provider to be exposed to financial risk. For the majority of the other service providers in WLZ, one-fifth of their payment is based on engagement levels (a minimum of 75% of children attending sessions offered).

In the remaining four in-depth review families of projects the provider is not fully shielded from the PbR element and has taken on some financial risk. In one project (WtW) the providers' funding is partly based on the number of service users they work with (measured through a mix of engagement, assessment and continuation payments). This means they risk not being able to cover their operating costs if they do not engage and retain enough service users. In two of the in depth reviews (MHEP and EJAF Zero HIV) the providers' funding is based on their outcome achievements – in EJAF Zero HIV, for example, the provider is taking on a proportion of the financial risk as their payments are based on the achievement of outcomes (though providers do receive initial block payments which are non-repayable as an advance against a minimum number of outcomes). WLZ has to repay some of the investment if the service significantly underperforms.

The rationale for linking provider funding to performance is twofold:

- To **share the financial risk** that would otherwise fall solely on the investor
- **Ensure providers have 'skin in the game'** and are incentivised to perform well:

"This [repayment arrangement] is designed to align incentives across all parties, so that WLZ would be incentivised to address any operational underperformance quickly, meaning that it would avoid the poor performance scenario in which it would need to repay the loan." (West London Zone Baseline In-depth Review)

Furthermore, even where service providers receive fee-for-service payments, often these are paid in arrears and the investor has the right to withhold funding if they are dissatisfied with performance, as happened in Reconnections. Therefore, even where providers are not exposed to PbR payments they are not fully shielded from financial risk.

However, risk sharing with investors also means that some service providers benefit financially if the project over-performs. For example, in WLZ, in the event that the service performs well, above an agreed break-even point, WLZ will benefit as it will receive an ongoing share in the outcome payments. It is important to note, therefore, that some service providers actively want to engage in risk sharing, so they can share in the potential upside in this way. For example, in WtW, a service provider more experienced with PbR contracts would have liked their payments to be more closely tied to the outcomes, allowing them to share some of the 'upside' of over-delivering on outcomes. Moreover, service providers outside of the CBO programme have invested in their own SIBs.

Financial risk is also shared between investors and other organisations in ways in addition to sharing the risk with service providers. In WLZ the overall financial risk to the investors is reduced by the available first-loss capital from City Bridge Trust and UBS (who will cover losses up to £150,000 for the contract duration) – though this is the only example of such 'first loss' capital being deployed in SIBs in the UK, In some instances commissioners also bear financial risk, and have a penalty fee if they do not refer certain numbers of people to services.

In section 3.2.3 we describe some of the implications of this risk share during SIB delivery.

2.2.5.2 Investors and the use of capital

This section describes how capital has been deployed into SIBs by a range of organisations, and how routes to investment in outcomes contracts have evolved. It has been reviewed by an expert in social investment and specialist in SIBs but we would caution that we have summarised and sometimes simplified investment structures that are technically complex and challenging to explain without excessive detail.

Overview – who has invested in the in-depth review families of projects?

Table 2.4 outlines the range of investors that have invested in the nine in-depth families of projects. As the table shows, these can broadly be divided into four different categories:

- Investment fund managers: These organisations are collectively managing capital on behalf of other investors (e.g. charitable foundations, private investors or pension funds) and investing that capital on their behalf through a fund with a specific focus and defined investment criteria – sometimes known in this specific sector as Outcomes Investment Funds. As the table shows, this is the primary form of investment into these projects, with three investment fund managers (or IFMs) covering eight of the nine in depth review families of projects between them. (BII also invested in EJAF Zero HIV, but did so from reserves and not their Outcomes Investment Fund). In seven of the in depth review families of projects all of the investment comes from one or other of these three IFMs. The role of investment fund managers has thus become increasingly important in the SIB market, and is discussed in more detail below.
- Charitable foundations / funders: Two of the projects have had direct investments from charitable foundations and funders – the Reconnections and EJAF Zero HIV projects.
- National charity: One project (Reconnections) has an investment from a national charity – Age UK National, which is the investment arm of Age UK, established to test new ways for the organisation to deploy and utilise its resources.
- Private sector provider organisation: One project (EJAF Zero HIV) has an investment from a private sector provider: ViiV Healthcare, albeit from ViiV's Positive Action fund which is funding they have set aside for community-based support, mainly through grants.

However it is important to note that this analysis of direct investors significantly understates the number of socially motivated organisations (both charitable and private) that have invested in SIBs because such organisations are investors in the leading Outcomes Investment Funds[36] in this sector, as explained further below

The role of investment fund managers has become increasingly important in the SIB market.

[36] Outcomes Investment Funds makes investments into charities and social enterprises delivering payment by results contracts, where some or all the income is dependent on achieving social outcomes set by the public sector commissioner

Table 2.4: Investors / fund managers overseeing and/or providing investments across 9 in-depth review families of projects

	Investment fund manager (IFM)	Charitable Foundation / Funder	Charity	Private sector provider organisation	Total no. of investors / IFMs
Ways to Wellness	Bridges Fund Management				1 [1]
Reconnections	Care & Wellbeing Fund	Nesta	Age UK		3 [2]
MHEP	Big Issue Invest Fund Management				1
HCT	Bridges Fund Management				1
WLZ	Bridges Fund Management				1
PFP	Bridges Fund Management				1
Be the Change	Bridges Fund Management				1
EOLCI	Care & Wellbeing Fund				1
EJAF Zero HIV		Big Issue Invest, EJAF & Comic Relief Red Shed		ViiV Healthcare	4

1. *Bridges Fund Management was investing from a fund with multiple investors – see further details in Table 2.5 below*
2. *MacMillan Cancer Support was an investor in the Care and Wellbeing Fund – see Table 2.5*

The rise of the Investment Fund in the SIB market

Our previous Update Report and accompanying survey of leading social investors, published in 2017, noted that managers of specialist Investment Funds had emerges as a feature of the SIB investment market in the UK, with the first fund starting to invest in SIBs in 2013 . As we have noted above, they dominate investment in the in-depth review families of projects and appear to comprise the vast majority of investment across the CBO-funded projects as a whole – see details in Table 2.5 below,

It is not surprising that specialist Outcomes Investment Funds have emerged as the majority route to investing in SIBs in the UK. Investing via specialist regulated funds is a very common and usual way of investing in all sectors (e.g. property or private equity funds). The industry body for IFMs, the Investment Association, estimates that there are more than 250 managers of around 3,000 Funds in the UK, managing assets worth £9.9 trillion in 2019[37]. Investment via specialist Funds has a number of advantages for both investors themselves (who can share risk with other investors and benefit from economies of scale) and those receiving or otherwise benefitting from investment – in this case both providers and commissioners in SIBs (who can take advantage of an investment organisation with specialist knowledge and expertise). Box 5 at the end of this section explains the basic structure and processes of an Outcomes Investment Fund and the main benefits for both investors and investees – though please note that this is a generic description rather than a specific description of an existing Fund

The attraction of specialist Funds for social investors is indicated by the fact that some established social investors – for example Esmee Fairbairn and Panaphur – have chosen to invest in SIBs via funds, and especially via the BFM Outcomes Fund (see below).

Leading Managers of Funds that have invested in CBO projects

There are currently four IFMs managing Funds through which they have invested in CBO-funded projects. As noted in Table 2.4 three of these are Outcomes Investment Funds which have invested in the nine in-depth review families of projects (the other IFM, Social and Sustainable Capital, has invested in one CBO-funded project that is not the subject of an in-depth review, and did so from its Third Sector Investment Fund which is not dedicated to outcomes contracts). Big Society Capital has been a significant investor across the funds and has been first mover in all of them to support the growth of the market: this reflects BSC's dual role as social investor and market developer[38]. With the exception of BII, these IFMs have then raised varying amounts of further investment from other investors. Table 2.5 shows who these IFMs are, how much investment they are managing and deploying through these Funds, how much of each Fund is targeted at SIBs and other outcomes contracts and how that investment splits between BSC and other investors. The four IFMs are listed in order of their total investment in CBO-funded projects , which is also shown in Figure 2.10.

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[37] See Investment Management in the UK 2019-2020 The Investment Association Annual Survey, https://www.theia.org/sites/default/files/2020-09/20200924-imsfullreport.pdf

[38] As a 'wholesale' investor, BSC invests in fund managers, rather than directly in VCSEs or projects. See https://bigsocietycapital.com/how-we-work/making-investments/our-investment-approach/

Table 2.5 Leading Social Investment Fund Managers invested in CBO-funded SIBs

Name and brief history	Fund details	BSC contribution	Other Investors	Total invested in CBO -funded SIBs up to 31/03/19
Bridges Fund Management (incorporating Bridges Outcomes Partnerships) Founded as Bridges Ventures in 2002 'targeting market-rate returns by investing in businesses with a positive social or environmental impact'. Runs multiple Funds including several 'social sector;' funds targeting lower returns	BFM first invested in SIBs via its Social Entrepreneurs Fund in 2009. Has since raised two funds dedicated to SIBs and outcomes contracts: The Social Impact Bond Fund (originally called the Social Results Fund) in 2013 (£22.5m) and the Social Outcomes Fund (£35m) in 2019. However only the Social Impact Bond Fund invested in CBO projects	£10m (Social Impact Bond Fund) £4.2m (Social Outcomes Fund).	Investors in one or both of these Funds named on the BFM website include: Esmee Fairbairn Foundation, Panaphur, Nesta, European Investment Fund, Bank Workers Charity, Development Bank of Japan, Merseyside Pension Fund, Ceniarth, QBE Premiums4Good, Trust for London, Omidyar Network, Guy's and St. Thomas' Charity, Pilotlight, The Prince of Wales's Charitable Fund, Project Snowball	£7.4 million (SIB Fund only)
Social Finance/Care and Wellbeing Fund	£12m. According to the Fund prospectus[40] the majority of the Fund (at least 70%) will be invested in 'health or social care projects that drive	£6m	Macmillan Cancer Support	£6 million

[40] https://www.careandwellbeingfund.co.uk/sites/default/files/attachments/care_wellbeing_fund_prospectus_-_july_19_update.pdf

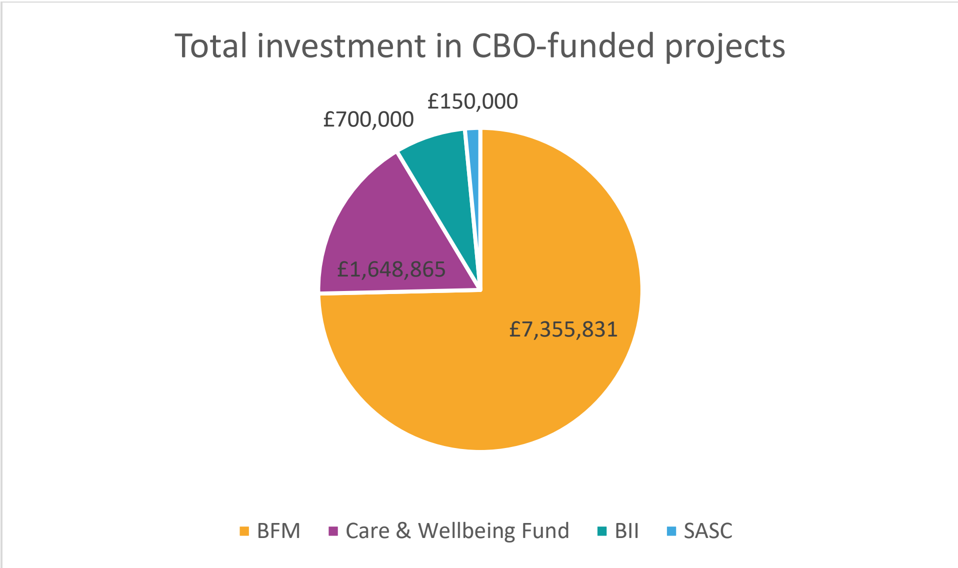
The Care and Wellbeing Fund[39] 'was established to develop and scale community-based services to improve health and wellbeing across the country. Social Finance Ltd acts as Investment Fund Manager and the Health Foundation as Development Partner	improvements in service provision and deliver savings for commissioners'.' Investments have comprised a mixture of SIBs and enterprise investments.			
Big Issue Invest 'Founded in 2005, Big Issue Invest extends The Big Issue's mission by financing the growth of sustainable social enterprises.'	The Big Issue Invest Outcomes Investment Fund (OIF) launched in May 2017 and 'makes investments into charities and social enterprises delivering payment by results contracts into the public sector, where some or all the income is dependent on achieving improved social outcomes'[41] It is managed by BII's Fund Management arm, Big Issue Invest Fund Management Ltd (BIIFM) and is dedicated to SIBs and similar payment by results contracts. It is a successor to Big Issue Invest Social Enterprise Investment Funds I and II, which were not dedicated to, but did make some investments in, SIBs[42] – notably MHEP 1 in which the second of these funds was the investor.	£10m	None according to BSC website[43].	£0.7 million

[39] https://www.careandwellbeingfund.co.uk/
[41] https://bigissueinvest.com/outcomes-investment-fund/
[42] See: https://images.bigissueinvest.com/2020/12/OIF-Report.pdf
[43] https://bigsocietycapital.com/portfolio/big-issue-invest-outcomes-investment-fund-lp/#:~:text=Fund%20addressing%20social%20challenges%20through,outcomes%20set%20by%20a%20commissioner.

Social and Sustainable Capital (SASC) Established in 2014 having previously been part of the Social Investment Business. SASC invests in 'organisations that provide lasting solutions to social challenges.' Note SASC mainly invests as loans direct to providers, including in SIBs	Invests in SIBs via its Third Sector Investment Fund which has a total value of £30m and 'offers flexible finance (predominantly loans) to social enterprises and charities across the UK that otherwise struggle to access traditional forms of finance to support their growth'. Note this Fund is a general social investment fund and is not explicitly targeted at SIBs or outcomes contracts	£15m	Social Investment Business Foundation, Santander	£0.2 million

Source: Description of IFMs and the focus of the funds taken from organisation websites. Total invested in CBO taken from CBO Management Information. Investment figures rounded to the nearest £0.1m

Figure 2.10: Proportion of CBO investments by the four investment fund managers



Source: CBO Management Information

By their nature, Outcomes Investment Funds get most and often all of their income from the outcome payments made by commissioners and other outcomes funders. The way in which this income is apportioned between fund manager costs, capital repayment to investors and then return to investors is stipulated in the fund structure upfront. IFM management costs are usually recovered through a fixed fee levied as a fixed percentage across the whole fund. Manager costs in an Outcomes Investment Fund may include activities to support the delivery of SIB contracts and achievement of agreed outcomes, and IFMs may also invest their time and resources in various deal-making activities (such as supporting SIB design, due diligence and contract negotiation) prior to investments being made. All such costs and how they are recovered from fee and charges must be stipulated in the commercial structure of the fund, and because fees tend to be fixed may not always be fully recovered. This can happen because outcome contracts sometimes require more resource-intensive management than some other types of investment, and can require a high level of investment by the IFM in activities such as performance management and data analysis. It can also happen because some investments require more support than expected, but fees cannot be changed later, and are set across the fund rather than varying according to the needs of specific projects.

It is also worth noting that:

- Although all four organisations listed in Table 2.5 are managing outcomes or other specialist social investment funds, Social Finance is somewhat different to the other three in the way it is structured to deliver different activities and the sources of funding on which it is able to draw. This is because it both manages an Outcomes Investment Fund (the Care and Wellbeing Fund) and acts independently of this Fund as a social investment finance intermediary (SIFI). In this latter role it was prominent in the development and delivery of some of the earliest SIBs (for example it both helped develop and then acted as General Partner for investors in the Peterborough SIB) and still sometimes manages SIB performance on behalf of other investors: for example (and specifically in relation to the in-depth review families of projects where it is involved) it manages performance across the various MHEP SIBs, where the primary investor is BII. It also played a leading role in the development of the MHEP approach, with funding from a CBO development grant. In EOLCI it is both performance manager and the IFM for the investment from the Care and Wellbeing Fund.

- In addition Social Finance is able to fund some SIB development activity on behalf of the Care and Wellbeing Fund separately, since the Fund "is supported by a development grant from the Health Foundation to help the Fund team develop investment opportunities to create social impact"[44]. The other IFMs do not have a similar grant pot to draw on and are involved in the design of contracts, and subsequent management of SIB performance and delivery, only where they are themselves investing from the relevant Fund (and relying solely on fees to meet the costs of such activities as explained above). Essentially this means all of the activity undertaken by BFM and the other smaller Funds in support of SIBs is 'at risk' and is dependent on the achievement of outcomes, whilst Social Finance's activity is sometimes less at risk because it is in-part paid for through grants and specific contracts.
- Although all IFMs will be involved in some pre-deal activity, the way this is organised, and to some extent its scale, will differ between them. For example, BFM has set up an internal social enterprise, Bridges Outcomes Partnerships[45] (BOP), to bring together its design, delivery and investment management capability relating to outcomes contracts. However as explained above, BOP is funded solely from fees levied from the BFM Social Outcomes Fund.

Based on this information and the key question of the 'social motivation' of investors, it is interesting to note the following:

- Investors in SIBs can almost entirely be described as 'socially motivated'. Most of the investors in the SIBs are either charitable organisations themselves or investment fund managers whose capital is, as shown in Table 2.5 above, coming from charitable foundations or Corporate Social Responsibility vehicles set up by private companies – such as QBE's Premiums 4Good that has invested in BFM's Social Outcomes Fund. BFM has also been successful in attracting investment from Local Government Pension Funds, which have a mix of social and financial objectives. In the one example of a private sector provider investing directly in one of the in-depth review families of projects (ViiV Healthcare in EJAF Zero HIV),, this is a provider with a strong focus on HIV that supports sustainable community programmes, and invested in this project via funding that would normally be allocated to grants[46].
- The IFMs are themselves socially motivated. All the leading IFMs are not-for-profit enterprises or (in the case of BOP) are channelling their investment in social outcomes contracts through a not-for-profit subsidiary, and are targeting returns which are significantly lower than usual market rates for relatively high-risk investment funds.
- However the IFMs also have a financial motivation. Since they are running commercially structured funds, all the IFMs have agreed target returns (albeit relatively low) to their investors. They are also promising returns to charitable foundations who want to invest mainly for social reasons, but may also want to recover some or all of their capital (and if investing from their endowment may have to make higher returns). As explained above the IFMs also need to cover their own costs from fees and charges that must be included in the fund structure. Since as noted above outcome payments are the main source of revenue for all these funds, this means that all returns and costs will be included in the outcomes prices that commissioners are asked to pay.

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[44] https://www.socialfinance.org.uk/projects/care-and-wellbeing-fund
[45] https://www.bridgesoutcomespartnerships.org/
[46] https://viivhealthcare.com/en-gb/

A further observation is that **in the vast majority of cases investments in CBO projects have been brokered by only two IFMs.** A very high proportion of total investment in CBO SIBs has been from the two funds managed by BFM and Social Finance with the former having invested three quarters of all investment in CBO projects (£7.4m) and the latter £1.6m. These two IFMs (and Social Finance as a SIFI) thus have a dominant position in the market. By contrast, BII was less proactive than the other funds in investing in CBO, and in the two in-depth review families of projects in which they have invested they were not heavily involved in the design of the project. However this somewhat underestimates the market position of BII which has been more active outside CBO, and since establishing its Outcomes Investment Fund in 2017 had, as of September 2020, invested in 16 and committed to invest in 19 social outcomes contracts. It also describes itself as a "hands-on investor" providing a range of "non-financial technical assistance" and "might support the structuring of a SOC, participate on an investee's board, provide training, or provide management consulting"[47].

The relative dominance of a small number of IFMs appears to reflect a number of factors. In part it reflects both their early entry to the market (and so a degree of 'first mover advantage') and their proactivity in identifying and pursuing opportunities and (sometimes) willingness to invest at risk – especially BFM (and to a lesser extent BII) who cannot recover any pre-deal costs from other sources.

However stakeholders also observe that this dominance reflects a lack of sufficient opportunities and 'deal flow' in which such specialist funds can invest – despite funding from the CBO, LCF and sector-specific central government funds (such as the Youth Engagement Fund). The evidence (for example of our most recent survey of investors and IFMs) is that there is a shortage of contracts rather than of capital. This suggests that there is little scope for new intermediaries and fund managers to enter this market at present.

[47] See https://s3.eu-west-2.amazonaws.com/golab.prod/documents/ExploringSocialInvestment_final_version.pdf

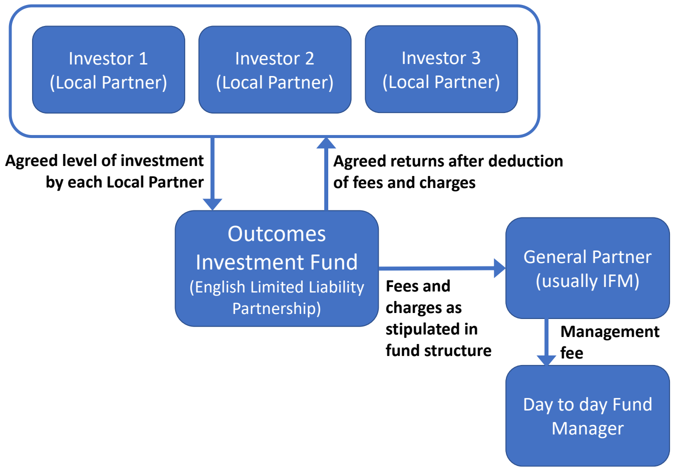
Box 5: How an Outcomes Investment Fund typically works

NOTE: this is intended as a simplified explanation of a typical fund investing in outcomes – based contracts. It is NOT a description of any specific Fund currently operating.

Overview

An investment fund is a way of investing money alongside other investors in order to benefit from the inherent advantages of working as part of a group. Investment Funds are usually structured as Limited partnerships, governed by Limited Partnership Agreements

The typical structure of an Investment Fund is shown in simplified form below



Summary of Fund process

- A Fund is raised – usually by a specialist Fund Manager – who engages potential investors
- Investors become Limited Partners and agree to lend the Fund a specfied amount of capital, with defined returns, which can be drawn down by the Fund for specific transactions, fees and expenses
- The Fund Manager sources and makes investments on behalf of the Partnership
- Disposal proceeds arise from realisation of investments (in this case likely to be from generation of outcome payments or sometimes repayment of loans to the Fund from providers or the SPV)
- Investors are repaid and if there is any remaining surplus this is split, usually between the investors and the Fund Manager, in accordance with agreed sharing arrangements

Key benefits

- Investors benefit from limited liability (i.e. their liability for losses is limited to their investment in the Fund)
- Reduces investor risk (because investments are pooled and spread across a portfolio of contracts which may perform differently) and costs (due to economies of scale)
- Investments are professionally managed by people with the relevant expertise and resources
- Commissioners and providers benefit from specialist knowledge and expertise from the investment fund manager

Potential Drawbacks

- Investors might be less engaged with SIB stakeholders than if they invested directly
- Risks are lower but so are rewards – a direct investment could produce higher returns – both social and financial, albeit at higher risk
- Commissioners and other stakeholders may be confused by the intricacies of fund management arrangements

2.2.5.3 Evaluative insight: Extent to which provider is shielded from financial risk by social investors

The original SIB concept was that there is financial risk transfer from the public sector to investors. In reality, in four out of nine of the CBO in-depth review families of projects, the service provider still holds some financial risk of non-performance, either through the linking of payments to outcomes or referral/engagement targets, having to repay some of the investment in defined circumstances, or funds being withheld if certain KPIs are not met. Again, therefore, SIBs need to be seen as more of a *sharing* of financial risk between parties, rather than a full transfer. Also as noted above, this sharing of risk is often fully transparent to providers, and some providers actively choose to share risk so that they can benefit from the upside of high outcome payments if the project performs well.

In Williams' (2019) report, *From visions of promise to signs of struggle: exploring social impact bonds and the funding of social services in Canada, the US and the UK* Williams questions the added value of the external investment if service providers still bear financial risk:

"…[I]n requiring providers to take on part of the performance risk, it becomes less clear exactly what investors are bringing to the table…" (Williams, 2019, p. 58)

However, in considering this, one needs to bear in mind that:

- The sharing of the risk has still achieved the purpose of the external investment, which is to de-risk PbR contracts to the degree that VCSE organisations are able to participate. As we demonstrate under the next dimension, VCSEs play a strong role in SIBs and the sharing of risk has not meant VCSE service providers cannot participate.
- It is entirely understandable that someone would want some control of their investment through this sharing of risk – it is hard to conceive of a situation in which an organisation or individual would be willing to lose all of their money and have no ability to control this.

In this section we have also described how all but one of the nine in-depth review families of projects has received investment from among only three investment fund managers, and the market is now dominated by these three key brokers of investment – BFM, BII and Social Finance. What are the consequences of investment being managed and proactively promoted by such a small number of organisations?

On the positive side, it means there is a ready source of capital that can easily and quickly be deployed – in none of the projects we examined was sourcing an investment a challenge – indeed as we note above the evidence is that there is too much capital chasing too few deals. We should not take this for granted, as there are examples internationally where this has been the largest impediment to launching some impact bonds (Ecorys, 2019). It also means there is a concentration of expertise, which can help design, launch and manage the projects. Across many of these projects stakeholders were highly complimentary about the added value investment fund managers bring, sometimes (and increasingly) during the design stage, and nearly always once the project is in delivery. The important point is that IFMs in SIBs are not just managers of capital – they are managers and providers of expertise, motivators of social impact achievement and challengers of conventional thinking among providers. They are also highly socially motivated, unlike most IFMs who are targeting maximum financial return.

This expertise can be a significant benefit given that impact bonds suffer from commissioner 'churn' and staff turnover, resulting in learning and knowledge being lost within commissioning organisations, and that providers often lack capacity, for example in detailed performance analysis; IFMs act as a counterpoint to this, and plug gaps in expertise in both commissioning and provider organisations. In addition, the involvement of IFMs in the design and development of SIBs means that they are being developed without recourse to significant development funding, an important potential benefit since such funding (previously available from both the CBO and LCF) is not currently available in new government SIB programmes; and commissioners have consistently appeared very reluctant to commit their own funds to SIB development, with very few exceptions.

Against this, Williams argues, that the *"critical position of fund managers"* is one factor that has led to a 'finance-first' approach in the UK, in which there is a *"strategic orientation that is geared more towards mobilizing capital and "[creating] innovative financing solutions" (www.socialfinance.org) as the route to better social outcomes…."* (Williams, 2019, p. 95). In other words, he claims that the social investment is prioritised and seen as part of the solution, and the proactive role of investors shapes this way of thinking. To a certain degree this has been observed within the in-depth review families of projects; the SIB (and social investment) is seen as part and parcel of the package, and commissioners often do not question whether alternative forms of outcomes-based contracting could be an option. This is not to say that the social investment is not necessary – and above we highlight that at times it has been – but rather whether it is necessary or not is not always considered.

Furthermore, as has been evidenced at various points in this section, elements of the SIB have been designed in particular ways (such as the split in attaching payments to outcomes and engagements, the level of rigour in the outcome measurement and the sharing of financial risk with providers) to accommodate the level of investors' appetite for risk. In other words, the 'shape' of the SIBs we have seen is to some degree moulded by the capital restrictions of investors. One could hypothesise (though we cannot know for sure) that a limited number of investors means a more restricted 'nature' of capital. Therefore, it is possible that if there were more investors with a broader risk profile, then one could see a broader set of SIBs, and possibly SIBs that are more aligned with the original SIB concept.

Finally, there should arguably be concern that a market that is dominated by so few investment managers inhibits competition, and therefore value for money, This is something that we will want to explore in future research under this evaluation, but for now we would note that:

- Across CBO SIBs (and more recently SIBs funded through LCF) the additional costs of investment required to cover the costs of designing and delivering a SIB or other outcomes contract successfully, have been largely offset for commissioners by the co-payment subsidy provided by The National Lottery Community Fund. It remains to be seen whether commissioners will be as comfortable about bearing these costs when such subsidy is not available. It will also be interesting to see if they start to make judgements as to whether they get better value for money by drawing on the expertise of an established IFM, or bearing design costs themselves; and
- It seems clear that the market leaders have done no more than any sensible, commercially minded organisation would do in utilising first mover advantage – and investing their own time and money in developing opportunities. It is aa possibility, however, that the market will become even more concentrated, as the market leaders are able to leverage further the experience and expertise gained across a growing range of contracts, and the barriers to entry become greater for others who might have considered entering the SIB investment market. However if the success of these IFMs leads to greater interest in SIBs and OBC (among both commissioners and investors) it is also possible that there will be more demand than the current market leaders can meet, and opportunities for other IFMs, and certainly for individual investors, could emerge.

2.2.6 Dimension 4: Role of VCSEs in service delivery

Textbook SIB: Service delivery is undertaken by a voluntary sector organisation.

CBO in-depth review family of projects: In all the in-depth review families of projects delivery was in-part delivered by VCSEs. There are, though, some public sector organisations involved in delivery, and a small number of private sector organisations in CBO projects that do not feature as in-depth reviews. VCSEs have overall taken on a much larger role in SIBs than expected, acting as the intermediary, investors and (in one instance) the outcome payer.

Under the original SIB concept delivery is undertaken by VCSE organisations. The underlying rationale of a SIB is that VCSE organisations are excluded from more traditional forms of outcomes-based contracting (like PbR) because these require service providers to take on the financial risk of under-performance, which many VCSEs are unable to do. By transferring the financial risk to investors this creates a 'level playing field' between well-resourced private sector organisations / large VCSEs and VCSEs with fewer resources.

Table 2.6 summarises the role of VCSEs across the nine in-depth review families of projects. This demonstrates two clear patterns:

- Service delivery *is* undertaken by VCSEs. Therefore, the original SIB concept was that delivery is undertaken by voluntary sector organisations holds true (even if this is sometimes with a sharing of financial risk rather than a full transfer, as discussed in the previous section). All of the CBO in-depth review families of projects include VCSEs as service providers. A number of the projects include smaller VCSEs sitting under a 'social prime' organisation, such as in Reconnections (which originally included six local VCSE delivery partners under the management of Age UK) and WLZ (which had 25 VCSEs included in delivery at the outset, including some smaller organisations). In the majority of instances service providers reported that they would not have been able to participate in the contracts if they had not been shielded from some of the financial risk, though in some instances this was not the case, and some service providers had been involved in PbR contracts before (see previous section).
- VCSE organisations take on a multitude of roles within SIBs and are not just service providers but also intermediaries, investors and outcome payers. National stakeholders interviewed for the evaluation have voiced their surprise at the degree to which VCSEs have played a central role in designing, implementing and supporting SIBs. This element of the SIB evolution was not anticipated at their inception. As we discuss in previous Update Reports, this is due to the limited capacity within commissioners to drive SIBs – and so VCSEs have led them instead; this is in part due to there being stronger incentives for VCSEs to launch SIBs than commissioners (as VCSEs gain from the new contracts awarded), and also because this has been enabled by the CBO awarding VCSEs Development Grants to undertake such work.

Table 2.6: Role of VCSEs across the nine in-depth review SIBs

	Role in SIB, and whether a VCSE is taking on this role			
	Service provider	Intermediary	Commissioner / outcome payer	Investor
Ways to Wellness	2 main VCSEs with 82 subsidiary VCSE providers	1 VCSE (WtW)		VCSEs as investors within fund managed by (investment fund manager (Bridges Fund Management))
Reconnections	4 VCSEs	1 VCSE (Reconnections)		VCSEs acting as direct investors (Nesta & Age UK) but also investors within fund managed by investment fund manager (Care & Wellbeing Fund)
MHEP	3 VCSEs			Social investment arm of a VCSE (Big Issue Invest) which is a limited company (Big Issue Invest Fund Management Ltd) – with investment managed by a limited company (MHEP)
HCT	1 VCSE (HCT)	N/A (no intermediary)		VCSEs as investors within fund managed by investment fund manager (Bridges Fund Management)
WLZ	1 VCSE leading, and will commission 8-20 VCSEs on annual basis	1 VCSE (WLZ)		VCSEs as investors within fund managed by investment fund manager (Bridges Fund Management)
Positive Families Partnership	2 VCSEs and public sector	1 Social enterprise prime contractor (Positive Families Partnership)		VCSEs as investors within fund managed by investment fund manager (Bridges Fund Management)
Be the Change	1 VCSE (Mayday)	N/A (no intermediary)		VCSEs as investors within fund managed by investment fund manager (Bridges Fund Management)
EOLCI	1 VCSE provider with public sector	1 VCSE (Social Finance)		Macmillan a VCSE as co-investors within fund managed by VCSE investment fund manager (Care & Wellbeing Fund)
EJAF Zero HIV	2 VCSEs, 2 GP federations and 2 acute trusts	1 VCSE (EJAF)	1 VCSE (EJAF)	VCSEs acting as direct investors (BII, EJAF & Comic Relief)

Source: In-depth reviews and CBO MI

2.2.6.1 Evaluative insight: Role of VCSEs in service delivery

The multiple roles taken by VCSE organisations arguably thwarts the original concept of what a SIB was meant to be. At its most simplistic, a SIB is seen as a commissioning tool for *public sector organisations* to commission *VCSE organisations*, with the support of *external private investment*. However, as Table 2.6 shows, many of CBO in-depth review families of projects break this convention. Very little of the investment is 'private' but instead comes from charitable sources; it is not always a way of commissioning VCSE organisations, as in three of the projects the funding is being used to pay for public sector delivery. Perhaps the project that inverts the original concept the most is EJAF Zero HIV, where a VCSE (EJAF) not only led the design and development process but is also (in partnership with LAs) commissioning public sector organisations (acute trusts and GPs, though VCSEs are also involved) and managing their performance. Therefore, SIBs still are 'innovative partnerships between private and/or socially minded investors, commissioners and non-profit service providers', as per their original concept, but they do not fall into the simplistic notion of a private investor, public sector commissioner and non-profit service provider. Instead, they need to be perceived as different organisations with different skill-sets and ability to use their funding in different ways, working together to achieve better outcomes.

2.2.7 Dimension 5: Level of additional performance management

Textbook SIB: More time and funding is committed to performance management than is used in fee-for-service contracts. An additional performance manager oversees performance.

CBO in-depth review family of projects . In all of the in-depth review families of projects more time and funding had been committed to performance management than would have been in a fee-for-service contract. In most cases (5) performance was managed by an external organisation; in two others it was being managed internally and in the final two families/projects there was a mix of external and internal performance management.

This dimension relates to performance management – the system of organisational processes based on regular, formal tracking of quantitative measures geared towards results (Carter, et al., 2018). Under a SIB mechanism, typically more time and funding is committed to performance management than is used in fee-for-service contracts (Carter, et al., 2018). We found that all of the in-depth reviews families of projects had committed time and funding to performance management, and they reported committing more than they would than in a fee-for-service contract; one project estimated it was three times more. Furthermore, in some projects the resource committed to performance management increased over time.

"Stakeholders highlighted that the SOC also brings with it a strong focus on data collection and performance review (compared to other contracting approaches such as fee-for-service)." (PFP Baseline Indepth Review)

Projects have increased the *degree* of scrutiny, in terms of monitoring data, with some appointing data analysts (WtW) and others building data dashboards. They have also increased the *regularity* of scrutiny, with performance being reviewed and discussed on a more regular basis, often with monthly meetings:

"All providers reported, even at this early stage in contract delivery, that outcomes and payments linked to outcomes had made a difference to their approach because of the frequency of review. One provider noted that when block contracts were the usual way of commissioning external delivery, contracts were managed on an annual cycle and if, for example, performance was behind at the end of quarter three then managers would implement changes at that point to try and catch up against yearly targets. Under the MHEP contracts providers report formally on a quarterly basis with monthly updates and conference calls in between." (MHEP Mid-point In-depth Review)

Therefore, these projects do hold the original notion that they include a higher level of performance management than fee-for-service contracts. The SIB Health Trailblazers evaluation had a similar finding:

"The Trailblazers demonstrate greater managerial attention to…service delivery than was apparent in non-SIB comparator services." (Fraser, et al., 2018)

The additional performance management is normally introduced either at the request of, or in order to meet the needs of, the investor/investment fund manager, who wants to be reassured that there are processes in place to manage their investment effectively.

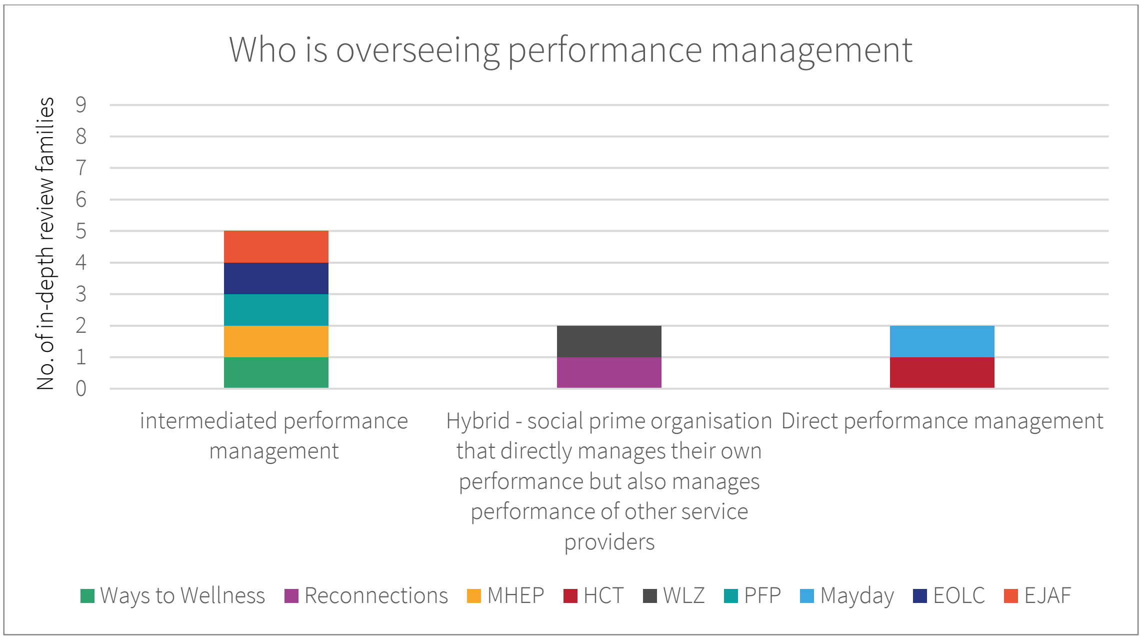
In most instances this additional performance management is paid for out of the commissioner outcome payments, and so is often termed 'at risk performance management' (i.e. if outcomes are not achieved, the costs for the performance management cannot be covered).

As Figure 2.11 shows, the projects can be divided into three 'types' in relation to who manages performance:

- Intermediated performance management: Here an organisation external to the ones providing direct delivery of the intervention is monitoring and managing the performance of service providers. Five of the projects fall into this category. This exists when there are multiple service providers.
- Direct performance management: Here the organisation delivering the service is also responsible for managing their own performance, and there is no external intermediary. Two SIBs fall into this category (HCT and Be the Change).
- Hybrid: Here you have a 'social prime' organisation that is responsible for managing the performance of their own service provision, and the performance of other service providers. Two SIBs fall into this category (WLZ and Reconnections).

It also worth bearing in mind, though, that under all of these types, the projects are *also* performance managed by the investor/investment fund manager.

Figure 2.11: Who is overseeing performance management



Whilst the above describes *who* is managing performance, it does not describe *how* performance is being managed. The Evaluation of the Social Impact Trailblazers in Health and Social Care found that there were two broad performance management styles in the SIBs they examined:

- Informal: This style promotes closer cooperation between commissioners, providers and, to a lesser extent, investors, and downplays the need to minimise investor exposure to the financial risk if providers under-perform against agreed key performance indicators.
- Formal: This style relies more explicitly on contractually-established obligations between different parties, emphasises individual organisational accountability for performance and includes a more pronounced willingness to minimise investor exposure to financial risk in the light of provider under-performance by withholding tranches of investor finance from provider organisations. (Fraser, et al., 2018)

The evaluation reported that some organisations managing performance favoured one style, whilst others favoured a different style. So far we have not seen this distinction ourselves across the nine in-depth review families of projects, and we have seen organisations adopt different styles in different projects depending on the circumstances; most crucially the style seems to be influenced by the degree to which under-performance is occurring, and the extent to which intermediaries / investors are confident that the service provider is managing performance themselves. However, it is likely that the management style can only be fully understood during delivery, rather than at launch stage; therefore this is a theme the evaluation team will examine in further detail in the next Update Report.

2.2.7.1 Evaluative insight: Level of additional performance management

In our opinion the additional performance management and scrutiny that is part of the SIB mechanism is, in principle, a good thing. The general consensus when we speak to stakeholders about performance management is that this is often de-prioritised in delivering and managing government contracts. As we report in the following section, it also appears to be where the SIB mechanism adds the most value - the additional resource spent on performance management plus the 'high stakes environment' from the payment by results aspects creates the impetus to change and improve at a faster rate than would be expected.

The main question, though, is whether it is good value for money, and whether the additional performance that comes with it justifies the additional expenditure (and at times stress). There is still not enough evidence to answer this question; other evaluations of SIB programmes have not been able to answer this question because there are not suitable situations in which one can understand what performance would have looked like outside of SIB delivery. This is a theme we return to in the conclusion of this report.

2.2.8 Dimension 6: Degree to which project is built on an invest-to-save logic

Textbook SIB: The outcomes generate cashable savings that can cover the cost of the outcome payments, known as 'invest-to-save'.

CBO in-depth review family of projects:. In most of the families/projects there was a strong focus on the savings that will be generated by the project. One third (three) of the families/projects are built on an invest-to-save logic, with the SIB specifically designed to ensure (as much as possible) that it releases payments to cover the outcome costs. In the remaining projects/families the savings are either not large enough to cover the outcomes payments, are not cashable and so cannot be released to make payments, or do not fall to the outcomes payer.

The original concept of SIBs was that they would lead to improved social outcomes for service users and cashable savings for commissioners (Fraser, et al., 2018). This notion is summarised in *From Visions of Promise to Signs of Struggle* as follows:

"By mobilizing capital from social investors, SIBs were seen as not only an alternative source of funding for cash-strapped charities, but also a way to generate cash savings that could then be used by local governments to pay for these services, "Particularly for the politicians, that was the big headline message. 'Austerity is here. We're going to be cutting grants and everything, but don't worry because social investment was going to sort your problems out'" (UK Respondent #7). In this context, the SIB agenda quickly morphed from a focus on innovation and prevention to a solution to the problem of local governments having to provide more services with less money." (Williams, 2019, p. 24)

In the purest concept of the SIB there is a 'virtuous circle' whereby the intervention releases savings that can then be used to pay for the outcome payments. This has the potential to enable 'double-running'; the challenge of funding preventative services lies in the fact that most of the service budget tends to be tied up in high-end acute and 'reactive' services, leaving little funding available to pay for preventative services – and when funding is tight, prevention tends to be cut further. Under a SIB, a commissioner can pay for the high-end service whilst the investor provides the up-front capital to fund the preventative service; if the service works it reduces demand on the high-end services, which releases savings that can be used to pay back the investor and also leave a surplus for the commissioner. This is also known as 'invest to save'.

The 'invest-to-save' logic as a narrative was attractive to commissioners in the in-depth review families of projects. It was a driving motivation for pursuing a SIB in four of the projects (see Table 3.2) and all of the projects/families were based in-part on an 'invest to save' logic that justified the project to one or more key stakeholders, notably commissioners, although in some of the projects the savings were in the longer term beyond the SIB. Furthermore, all the projects had a savings case for the purposes of applying to CBO. The cost-saving logic was so strong in one project that the commissioner reduced its outcome payment amounts because the expected savings were not as high as anticipated:

"This reflected the [commissioner's] calculation that they have not made the fully anticipated savings from reductions...." (Project Monitoring Report)

Figure 2.13 shows, though, that creating a full invest-to-save SIB is harder to achieve in reality than anticipated. One third of the projects/families (three) were designed on a full 'invest-to-save' logic, in which savings are released to cover the outcome payments. The HCT Travel Training SIB was designed to reduce travel costs borne by the commissioner by enabling them to decommission contracted transport (see Box 6). In WtW the commissioner pays only when there is reduced demand (and therefore costs) for secondary care (fewer hospital admissions and shorter hospital stays), and in PFP payments are made when a young person is prevented from going into care, freeing up care costs the LA would have borne. The invest-to-save case for PFP is summarised in Figure 2.12 below.

"[A] key driver for using the SOC approach was to allow the boroughs to access a preventative service, without needing to pay upfront costs, and being able to pay for the outcomes through the savings generated by preventing young people entering care." (PFP in-depth review)

Figure 2.13: Degree to which in-depth review families of projects built on invest-to-save logic

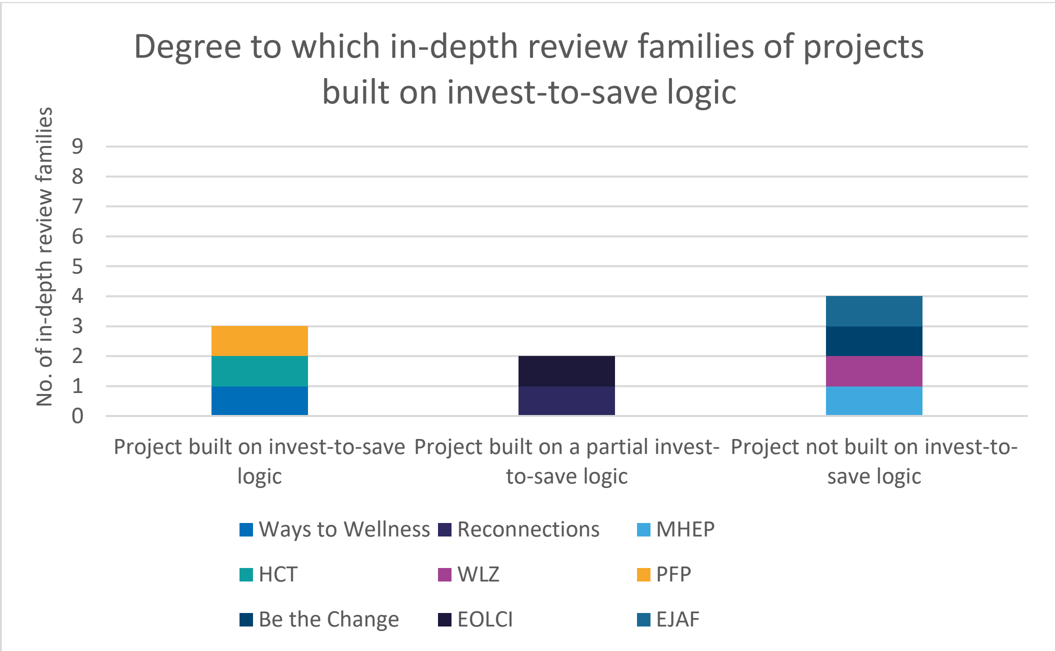
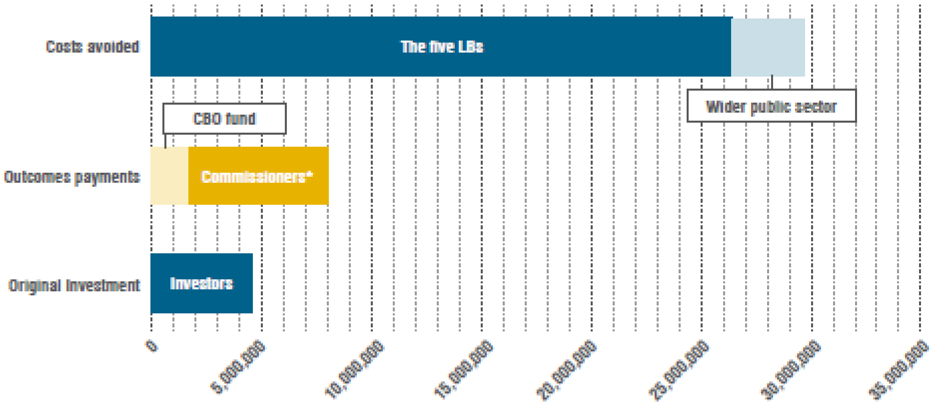


Figure 2.12: The PFP invest-to-save logic: How avoided costs cover the cost of outcome payments



Source: CBO Fund data, as of Autumn 2018.
* The five original commissioners

PFP payments are made when a young person is prevented from going into care, freeing up care costs the LA would have borne

In the remaining projects, two (Reconnections and EOLCI) were built in-part on an invest-to-save logic; that is, stakeholders anticipated that the project would generate savings to the commissioner, but these would not fully cover the outcome payments – either because they were not large enough, or because they were not cashable. In the remaining projects a savings case was made, but they were not designed to 'wash their face' – mainly because the savings fell to an organisation that was not the outcome payer. This is known as the 'wrong pocket problem', and indeed the purpose of the Social Outcomes Fund was in-part to address the fact that the 'wrong pocket problem' could undermine the savings case of the project.

WLZ did have a savings-case, but the focus here on costs was also in relation to commissioners collaborating and sharing the costs together.

"The aim of the project was not in the first instance to release immediate or even long-term savings to any one service, but to bring together key groups to better commission and deliver support... From the commissioners' perspective, the joint commissioning arrangements in the WLZ SIB meant the local authority could share the cost of the service with schools and philanthropists, as well as accessing the top-up funds from the CBO Fund. The shared cost enabled the local authorities to commit to the outcome payments for the early intervention service, even in the absence of an argument of direct cashable savings in the short-term." (WLZ Baseline In-depth Review)

Box 6: Example of project generating cashable savings: HCT Travel Trainer

The HCT Travel Trainer project was intended to fund independent travel training, provided by HCT Group, for people with Special Educational Needs or Disabilities (SEND). Through such training, the expectation was that young people with SEND would be able to travel on public transport. Savings were cashable because most current specialist transport provision was delivered on a contracted-out basis by third-party providers, and therefore this spending could be switched off as minibus and taxi contracts were stopped in response to more young people successfully travelling independently. However, these savings were not entirely secure:

"The financial case for the SIB shows benefits to Norfolk but these are not entirely secure and will accrue only if the children/young people continue to use public transport, there is suitable public transport available and the existing transport provision can be fully rationalised in line with the modelling that underpins the SIB business case. There are uncertainties around all these issues and the Travel Team expect to be heavily involved in supporting the contract and managing these issues to ensure its success." (HCT Baseline in-depth Review)

However, there are some points worth bearing in mind:

- In all of the full 'invest-to-save' projects, the savings are in-part theoretical rather than absolutely assured. Box 6 above shows how in HCT there are complexities that mean not all the savings could be realised; in PFP stakeholders recognise that they cannot be absolutely sure that the children supported by PFP would have gone into care – and so they may not be saving money – and in WtW stakeholders recognise that the savings from reduced hospital admissions cannot all be released.

"One commissioner [in the PFP SOC] highlighted that such tensions have been heightened by the context in which local authorities are operating in, where austerity measures have put both fiscal and political pressures on them. This means that commissioners need to ensure the business case stands true and they are not paying for outcomes in cases where the child may have never gone into care." (PFP Baseline In-depth Review)

- The projects were all commissioned under a period of austerity, and some commissioners reported that for *any* service to be commissioned it had to in part demonstrate it was making savings. It is therefore difficult to disentangle the extent to which the savings case is part-and-parcel of the motivation for selecting a SIB model, or more linked to general concerns when commissioning services during austerity.
- Applicants to the CBO programme had to, as part of the application form, document the degree to which the SIBs would generate savings, and they have to report on this in their Project Monitoring Reports to The National Lottery Community Fund. This may have driven some of the savings cases that are described as a focus within the SIBs.

2.3 Conclusion

In this chapter we have systematically dissected the nine CBO in-depth review families of projects across six dimensions. This was done with the intention of trying to understand how SIBs vary, and how they compare to the original SIBs launched and the original concept around what a SIB was. What we have found is that SIBs have evolved away from the original conception in a myriad of ways. In the table below we demonstrate this through contrasting the SIB 'promises' as they were originally conceived against the SIB realities we see in these nine families/projects.

Table 2.7: SIB concept vs reality

SIB original concept	SIB reality
An innovative partnership between private and/or socially minded investors, commissioners and non-profit service providers, often coordinated through SIB specialist organisations, to tackle deeply ingrained social problems	An innovative partnership between primarily socially-minded investors, commissioners and non-profit organisations, often coordinated through SIB specialist organisations, using their different skillsets and ability to use their funding in different ways to tackle deeply ingrained social problems
Improved social outcomes for service users and cashable savings for commissioners	Improved social outcomes for service users, which are likely to reduce future costs to the public sector (though not necessarily the commissioner) and may in some cases produce cashable savings
Financial risk transfer from the public sector to investors	A sharing of financial risk between the public sector, voluntary sector and investors
Rigorous evaluation to ensure that improvements in social outcomes are measured and attributable to the SIB-financed interventions	Higher standard of outcome measurement than is typically seen in fee-for-service contracts
Return on investment to investors dependent on achievement of outcomes	Return on investment to investors dependent on provider performance, including ability to engage service users and achieve outcomes

If there has been an evolution of the SIB concept, one needs to ask – why has this happened, and is it a good thing?

Why has it happened? In part this is because the 'textbook' SIB is, in most cases, unachievable. For it to exist it has to be in an area where: there are private investors willing to take on large amounts of risk for below-market level returns; that generates almost immediate and cashable savings; it is possible to undertake rigorous evaluation and ascertain attribution; and be simultaneously innovative whilst also having a good enough evidence base that means investors will back it. This is often known as the 'SIB sweet spot'. And many feasibility studies have gone looking for this sweet spot and not found it (Ronicle, et al., 2017). There is often a tension between what is desired from a SIB, and what is achievable within the given context. Therefore, stakeholders have a choice – to either cease the SIB (or work on developing the above conditions before they launch it) or evolve away from the original concept. This is why we what we see is a large number of launched SIBs that have evolved away from the original concept, coupled with an even larger number of SIBs that were considered but not launched.

However, the second reason why these SIBs do not always have the characteristics of a 'textbook' SIB is that these characteristics are not always seen as important or desirable. Stakeholders prioritise certain elements of the SIB over others.

SIBs have not all evolved in the same direction, however; SIBs have *metamorphosised* into different shapes as they have been subject to different pressures, priorities and preferences. Throughout this chapter we have documented how these different pressures have shaped the SIBs, and Figure 2.14 overleaf we bring these together (this also draws on how different motivations also shape the SIB design, which is explored in the next chapter). It will be interesting to see how the shape of these SIBs morphs even further over their lifetime, and whether and how the same or different pressures affect this, such as service user demand, views of practitioners and immediate community pressures.

What we have seen, therefore, is, that as people's thinking and development of SIBs evolves, they hit forks in the road and take different paths as they see different priorities. As people have headed off in different directions it means people's views have diverged. This is why we have got to the point where it is no longer clear what a SIB actually *is*, whilst many disagree over what they are *for*. And because people now have different concepts of what a SIB *is* and what it is *for*, some react badly when SIBs are compared to their original conception (as we have done here), or even when they are referred to as SIBs. Because when the mirror is held up to the SIB, they do not recognise the reflection.

Many feasibility studies have gone looking for the SIB 'sweet spot' and not found it. There is often a tension between what is desired from a SIB, and what is achievable within the given context. Therefore, stakeholders have a choice – to either cease the SIB (or work on developing the right conditions before they launch it) or evolve away from the original concept. This is why we what we see is a large number of launched SIBs that have evolved away from the original concept, coupled with a large number of SIBs that were considered but not launched.

This is best captured by a comment made by one stakeholder when reviewing one of our in-depth reviews in which we commented on the extent to which the project aligned with common views of a SIB:

"I just don't hear the people on the ground –the Cllrs, the commissioning teams….the professionals doing the work complaining about lack of…things that people in the SIB world talk about."[48]

Is this metamorphosis a good or a bad thing? One could argue that it is good, because the concept is being adapted and amended to suit different contexts. The 'principles' of outcomes-based contracting – stronger outcome measurement, sharing of risk, collaboration between different sectors – are being applied, even if the original conception is not. Others may argue that it is bad, because people are 'being sold a pup' – they think they are only paying when a service achieves outcomes, only to find out later that this is not true. Carter, in describing this shift away from the textbook SIB, warns:

In moving away from the quintessential model, those experimenting with the approach may be straying from what marks a SIB as distinctive and potentially undermining its potency as a tool for service improvement." (Carter, 2020)

Overall, so long as these metamorphoses are rigorous in applying congruent logic to the principles of outcomes based contracting above, we would side with the former argument – we think there are circumstances in which it is a good thing that the principles are being adapted and applied to different contexts. However, we also think there is a risk that people sign up to a SIB thinking they are receiving the textbook SIB, when they are not. We also come across multiple examples where commissioners and service providers involved in SIBs think there is mainly only one way of designing a SIB – the way theirs is designed – and they can be surprised to hear that other SIBs are designed in different ways. In short, they are not aware of the different SIB alternatives as we have laid out in this chapter. This means stakeholders are not always making informed decisions about how to align the SIB 'shape' with their priorities.

Moreover, it also means that, as Carter concludes (referencing the sharing rather than removal of financial risk to providers)"…*there is no clear distinction between a SIB vis-à-vis more mainstream payment-by-results arrangements"*. (Carter, 2020)

The implication of these points, in our opinion, is that there needs to be a new set of SIB promises. There needs to be a clearer and more upfront articulation of what a SIB *is*, and what it *is for*. Stakeholders need to be aware of the different ways a SIB can be designed, the role and value cases for the PbR and capital elements in each case, and the pros and cons of these approaches, to ensure they are making informed decisions.

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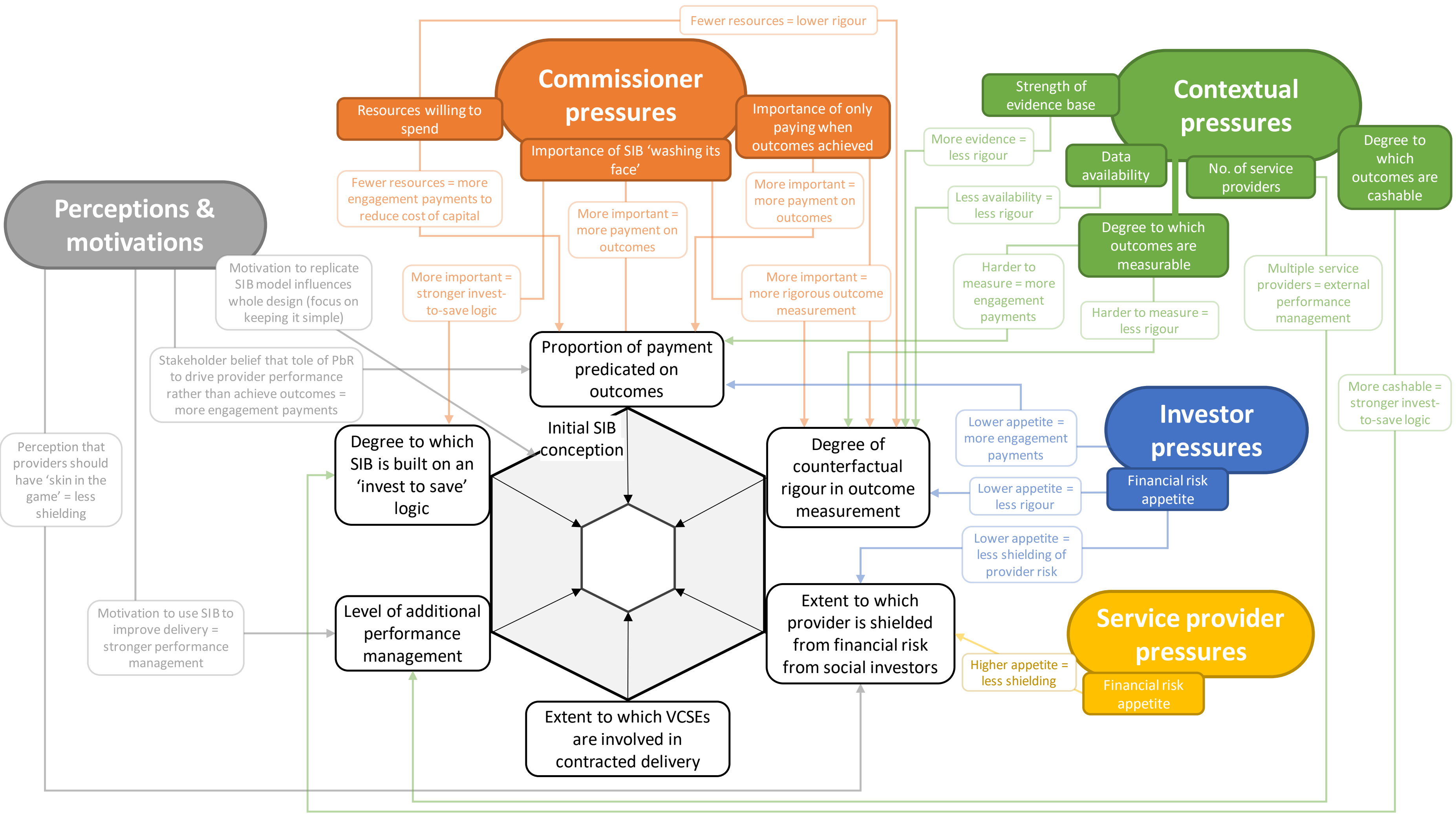
48 We were given permission to include this quote.

Figure 2.14: SIB metamorphosis: Pressures that influence 'shape' of the SIB



3. Motivations and the process to launch SIBs

This chapter explores the *motivations* that stakeholders in the nine in-depth review families or projects had for launching a SIB. It also focuses on the *lessons learnt* in designing and launching the nine CBO in-depth review families of projects.

3.2 SIB motivations

This section summarises the motivations for launching a SIB (and for launching an outcomes-based contract (OBC) more generally), exploring how these motivations differed between stakeholders and how these motivations emerged at different points of the SIB development process, from initial discussions through to design and development. We also analyse whether different SIB designs materialised based on the motivation.

3.2.1 Overview of the motivations to launch a SIB

The in-depth review research uncovered a range of motivations that stakeholders had for launching a SIB. In Table 3.1 below, we have outlined the main motivations emerging from the in-depth review research, and indicated which stakeholders had these motivations. The motivations are divided up by motivations for launching a SIB that are specific to using a SIB mechanism, and motivations for launching a SIB that are characteristic of OBC more generally.

In the remainder of this sub-section (3.1.1) we summarise the different over-arching motivations. In the following sub-section (3.1.2) we map these motivations onto the different CBO in-depth review families of projects.

Table 3.1: Motivations for launching a SIB

Motivation	Stakeholder type		
	Commissioner	Provider	Investor or investment intermediary
Motivations for specifically launching a SIB			
Availability of CBO outcomes funding	✓	✓	✓
Availability of CBO Development Grant	✓	✓ (for provider-led SIBs)	✓ (for intermediary-led SIBs)
Strategic interest in doing a SIB, as an innovative financing mechanism	✓		
Some or all of the financial risk is passed onto investors, meaning that specialist smaller VCSE providers can engage	✓	✓	✓
Ability to launch a PbR service at scale (where a large provider, who could deliver at risk in PbR, was unavailable/unsuitable)	✓	✓	
Perceived benefits of involvement of investors in terms of knowledge and expertise in relation to performance management	✓	✓ (for some provider-led SIBs)	
Investors have the potential to gain a social and financial return			✓
Motivations characteristic of OBC in general			
Launch a preventative service that cannot be afforded until cashable savings are generated later	✓		
Launch a project that is innovative, untested and/or too risky for the commissioner	✓	✓ (for provider-led SIBs)	✓ (for some investment fund manager led SIBs)
Improving delivery performance and increasing accountability through formal monitoring (meaning commissioners only have to pay when they know outcomes have been achieved)	✓		

Across most of the in-depth reviews, the availability of the CBO awards was mentioned as a strong motivator for launching a SIB, and it usually catalysed stakeholders' initial interest in pursuing one. In some cases, the availability of funding signalled to commissioners a 'stamp of approval' for developing SIBs from influential UK organisations and Government departments. For example, the HCT in-depth review stated that:

"Cabinet Office (and subsequently Department for Culture, Media and Sport and Big Lottery Fund [now The National Lottery Community Fund] co-funding of this SIB through the Social Outcomes Fund and Commissioning Better Outcomes Fund respectively appears to have encouraged some of the commissioners to participate, because they value the 'seal of approval' that this co-funding brings, over and above the financial benefits of these funds. The reasons for this are not entirely clear but may have something to do with the reputational 'kudos' that public bodies believe comes with such a co-funded approval of a contract." (HCT Baseline In-depth Review)

In other cases, such as in PFP, Be the Change and WLZ, the CBO contribution was key to ensuring the affordability of the service for commissioners, by spreading the cost of the service. This was also found to be the case in a local evaluation of a CBO project, that highlighted that the subsidy made the business case financially viable. Top-up funding was also a key motivator for launching a SIB in the LCF programme; case study research with three of the four SIBs that had been launched by February 2019 highlighted that the top-up funding was necessary for ensuring the SIB would move forwards. Regarding one case study example, ICF Consulting Services (2019:40) commented that, *"The LCF top-up funding was a significant added incentive… with the provider suggesting that the idea of developing a SIB would have "fallen into the too-hard-to-do pile" and not been pursued without it."*

The evidence from the in-depth reviews suggests that the development grant and top-up funding available from CBO was key to catalysing commissioners' interest in pursuing the SIB. However, this alone was not enough of a motivation to actually develop a SIB, and many other motivations also came into play. We found that a key initial motivation to develop a SIB in some commissioner-led SIBs was due to strategic interest within the commissioning organisation to trial a SIB as an innovative form of financing. For example, in Reconnections, there was a drive within the commissioning organisations, Worcestershire County Council and the NHS, to be more creative and innovative in the way that they both finance and deliver services. A SIB was therefore seen as a good way to achieve this corporate goal. Some projects began with the motivation of wanting to trial a SIB and, from that starting point, then identified in which policy area the SIB would best fit in their locality. For example, in the Positive Families Partnership, the Greater London Authority had a clear intention to bring commissioners together to commission through a SIB, and thus catalysed meetings and roundtables to facilitate initial discussions.

The analysis found, however, that grant availability and strategic interest were still not enough to warrant moving the SIB from development through to 'launch'. We identified other motivations, that were more grounded in the business case and which had more impact on the design of the SIB model.

For providers and some commissioners, a perceived benefit of the SIB model, compared with traditional PbR, is that financial risk can be shifted partly or completely away from the provider to the investor, thus unlocking the potential for more specialist organisations to engage who could not if they took on all of the financial risk. For example, in the Positive Families Partnership, commissioners and the investment fund manager reflected that the providers they thought would be suitable to deliver the intervention could not have engaged on their own because they could not take on the financial risk to be able to cover the upfront costs of launching the service. Several of the SIB models have been able to bring a range of smaller, local, partner organisations together to deliver the provision, in a way that would not have been possible in conventional PbR (see Dimension 4: Role of VCSEs in service delivery).

The availability of CBO outcomes funding, and strategic interest in trailing a SIB mechanism, catalysed interest.

Linked to this point on financial risk is that several of the in-depth review families of projects were designed with the motivation that they could be used to scale up an intervention through funds released through SIB-generated savings. A provider-led project, HCT, identified that a SIB could provide a mechanism for scaling an intervention to a point that significantly increases the social benefits, as well as potentially achieves substantial cashable savings to the LA. In this case, up-front investment was needed as the commissioner could not pay for the service at that scale on any other basis than if they only paid when outcomes were achieved, funded by the savings made later down the line. This also was the case in Ways to Wellness, where commissioners pay only for outcomes that have been achieved for the cohort, compared with a comparison group not supported through the project.

Another key motivator for commissioner- and provider-led SIBs was the perceived benefits that having investors or investment fund managers on board could bring. In EJAF Zero HIV SIB's own literature (as reported in the in-depth review) stakeholders believed that the investors would fund "first-class performance management". A local CBO evaluation of another project found that stakeholders thought the involvement of an investor would add value in the design and governance of the service.

A motivation for developing some of the SIB projects was also to support collaboration across public services. As mentioned earlier, several of the in-depth review families of projects, such as WLZ and PFP, have been co-commissioned. Co-commissioning is not unique to the SIB model (as it occurs across many different types of contracting arrangements) and it was not necessarily a motivation for doing a SIB per se (though policymakers are starting to see OBC and impact bonds as a way to support collaboration, so this has since emerged as a rationale for exploring SIBs). However, it appears that features of a SIB, such as the focus on outcomes (that may be of interest to different commissioners), or features of a SIB in the CBO context, such as the availability of development funding, or the kudos of doing one, have brought together multiple commissioners to fund a project.

Investment intermediaries and fund managers also had their own motivations for promoting a SIB, and actively supported the development of the market and individual SIBs (as reported previously in Dimension 3: Nature of capital used to fund services). Many of the known investors in the in-depth review families of projects can be classed as 'social investors', who have the aim of ensuring that their investments return both social and financial benefits (although this is not to say that other investors in the SIBs do not have this aim). For example, in one of the in-depth review families/projects, the investors were motivated to get involved because of the very high social impact that the project could deliver.

While the aforementioned motivations related to launching a SIB specifically, stakeholders in the in-depth review families of projects also cited a number of motivations for pursuing a SIB which we think are equally applicable to alternative models of OBC, such as PbR without social investment. However, this does not mean that these alternatives were fully considered, and we think it likely that in most cases the 'SIB' aspect (as a new and innovative commissioning mechanism') was key to the design and development of the projects (as referenced in the previous chapter). In particular, it seems that for many of the projects, the availability of CBO outcomes funding, and strategic interest in trailing a SIB mechanism, catalysed interest.

A primary motivation across a number of the in-depth review projects for commissioners to use the *PbR structure* (though not necessarily a SIB specifically) was the possible financial or 'savings' case. With budget cuts and the context of austerity, commissioners commented that they did not have the budgets available to fund preventative services themselves, but they could pay for outcomes achieved through a SIB, if it resulted in later avoided costs or cashable savings. For the projects funded on this basis, it was necessary for the design to be right (in terms of the outcomes measures and attached payments), to ensure that the service would actually lead to avoided costs and/or cashable savings, as discussed in Chapter 2.

In a similar vein, paying only when outcomes are achieved was a key motivator for commissioners to launch the services, because it allowed them to commission innovative, or experimental provision, without the financial risk if it did not work. This was the case in Reconnections, which was developed with the assumption that it would pilot a 'new' loneliness intervention to be tested with little in the way of financial risk to the commissioners. In WLZ, the OBC focus facilitated a range of "new, or cautious but interested commissioners" to pool their resources to fund an early intervention service in their area. However the robust testing of 'what works' would be critical to supporting this payment logic.

There was also some evidence of projects being launched because of commissioners' intentions to use outcomes, and payments linked to outcomes to help drive improved performance and increase accountability. This was the case in MHEP, where this motivation was a key one for Tower Hamlets. This also happened in EOLCI, where the commissioner (the CCG) was motivated to use the OBC approach to support improved performance against the outcomes, as they had found that other CCG programmes paying on a fee-for-service based approach did not always yield successful results. In WLZ, commissioners saw that the project presented an opportunity to increase the level of formal monitoring and accountability within provision and funding arrangements for local early intervention.

3.2.2 In-depth review SIB-specific motivations

Table 3.2 below provides a summary of the specific motivations that we identified in the in-depth review reports, that projects claimed to have for launching a SIB, beyond being incentivised by the opportunity of accessing the CBO development grant and the CBO outcomes top-up funding. It highlights that most of the in-depth review SIBs had multiple reasons for launching a SIB (falling in the categories as outlined in the previous sub-section). The most common reason for launching a SIB was a strategic interest in launching an innovative financing mechanism, though as mentioned above this was often the spur but not the only reason. The second most common reasons were to launch a preventative service paid for through savings and to improve delivery performance and improve accountability.

In provider-led projects (or project families) such as MHEP, different commissioners had different reasons for getting involved. For example, one commissioner was interested in using an outcomes-based approach to help drive up delivery performance, while another decided to get involved because they were interested in using social investment.

Table 3.2: In-depth review families of projects commissioners' motivations for launching a SIB (in addition to securing CBO funding)

Project	Strategic interest in doing a SIB, as an innovative financing mechanism	Some or all of the financial risk is passed onto investors, meaning that specialist smaller VCSEs providers can engage	Ability to launch a PbR at scale through funds released by SIB-generated savings	Launch a preventative service paid for through savings aka 'invest to save'	Perceived benefits of involving investors, in terms of knowledge and expertise in relation to performance management	Launch a project that is innovative, untested and too risky for the commissioner	Improve delivery performance and improve accountability
WtW	Interest from the Voluntary Organisations Network North East to do a SIB		Enabled purchase of social prescribing using Link Workers at unprecedented scale	Critical to commissioner that the project 'washed its face' by reducing rising size and therefore cost of demand pipeline into acute services		Up-front funding from the investor enabled them to commission and trial an innovative service	
Reconnections	Drive from Worcestershire County Council and the NHS to be more creative and innovative in financing and delivering services			The SIB was seen as a good financial mechanism to plug the gap in short-term funding (due to budget cuts), which could lead to savings in the long-term due to the reducing need for high-end/acute services		Commissioners attracted by the PbR ethos, and only paying once outcomes achieved Commissioner able to pilot a new intervention without the financial risk if it did not work	
MHEP	There was interest from one of the						One commissioner interested in using the PbR model to drive improved

Project	Strategic interest in doing a SIB, as an innovative financing mechanism	Some or all of the financial risk is passed onto investors, meaning that specialist smaller VCSEs providers can engage	Ability to launch a PbR at scale through funds released by SIB-generated savings	Launch a preventative service paid for through savings aka 'invest to save'	Perceived benefits of involving investors, in terms of knowledge and expertise in relation to performance management	Launch a project that is innovative, untested and too risky for the commissioner	Improve delivery performance and improve accountability
	commissioners to use social investment						provider performance
HCT			The SIB enabled an intervention to be delivered at scale, funded through cashable savings				
WLZ	The chair of WLZ had an aspiration to include social investment as way of funding the intervention	The SIB enabled WLZ to involve and pay a partnership of local delivery partners who would not have been able to engage on a PbR contract's terms.				The financial risk of commissioning an innovative collective impact intervention was with the investor, until outcomes were proven to a level that built confidence in working collectively	A rate card would support the collective impact partnership's intention to increase value for money and accountability within early intervention services
Be the Change							Working through a personalised approach meant that it was difficult to specify how services should be

Project	Strategic interest in doing a SIB, as an innovative financing mechanism	Some or all of the financial risk is passed onto investors, meaning that specialist smaller VCSEs providers can engage	Ability to launch a PbR at scale through funds released by SIB-generated savings	Launch a preventative service paid for through savings aka 'invest to save'	Perceived benefits of involving investors, in terms of knowledge and expertise in relation to performance management	Launch a project that is innovative, untested and too risky for the commissioner	Improve delivery performance and improve accountability
							run; therefore an outcomes-based approach to contracting was more appropriate
PFP	There was a strategic push from the GLA to develop a multi-borough outcomes contract	Up-front capital would enable the most fit-for-purpose social providers to be involved in a PbR contract	Working at scale across London would produce cost efficiencies	A PbR model with social investment would enable the commissioners to retrospectively afford to procure a preventative service			
EOLCI				The financial risk would sit with the investors, until there was the assurance that secondary care usage would be reduced			CCG belief that OBC approach had potential to achieve better outcomes than other FFS-funded interventions
EJAF Zero HIV	Strategic interest in deploying the charity's and its collaborators' funds as social investment to support testing an outcomes-based approach across				Project literature suggested that investors would fund "first class performance management"		There would be an in-built focus on outcomes that passed most (but not all) of the PbR risk onto providers,

Project	Strategic interest in doing a SIB, as an innovative financing mechanism	Some or all of the financial risk is passed onto investors, meaning that specialist smaller VCSEs providers can engage	Ability to launch a PbR at scale through funds released by SIB-generated savings	Launch a preventative service paid for through savings aka 'invest to save'	Perceived benefits of involving investors, in terms of knowledge and expertise in relation to performance management	Launch a project that is innovative, untested and too risky for the commissioner	Improve delivery performance and improve accountability
	all major health pathways						to improve performance
Number of projects with this motivation	5	2	2	4	1	3	5

Source: In-depth review reports. Some of these motivations could also apply to other forms of outcomes-based contracting, such as PbR.

3.2.3 SIB motivations and how they affect project design

In the previous chapter we detailed how the stakeholders' priorities and pressures influenced the design of the SIBs across the CBO in-depth review families of projects. This chapter has listed some broader motivations for pursuing a SIB, which also influence the SIB 'shape'. These are as follows (these are also included in Figure 2.14 above):

- Motivation to replicate SIB across multiple commissioning areas leads to stakeholders trying to keep the SIB design 'simple' to ease replication. For example, in HCT, the SIB model was designed to be as simple as possible with a single provider, intervention, investor and payable outcome, so that new commissioners could be added over time into the overall structure. A similar approach has been taken in the PFP, where the model is simple (e.g.. with one outcome tied to payment), and new commissioners can join via an 'accession agreement'.
- Motivation of perceived benefits of involvement of investment fund managers or intermediaries in terms of knowledge and expertise in relation to performance management leads to stronger levels of dependence on purchase of performance management.

3.2.4 Evaluative insight: SIB motivations

The analysis has demonstrated that in the cases of the SIBs we have reviewed in-depth , there were a range of motivations for their launch, which differed by stakeholders and changed over time. It appears that the initial decision to do a SIB was catalysed by the availability of CBO outcome contributions, or strategic interest in trialling a SIB. Other motivations for launching a SIB then followed. The possible implications of this are discussed below.

It is not surprising that our evaluation of CBO has identified the availability of CBO top-up funding as catalysing stakeholders' decision to launch a SIB. However, situated in the wider context of the SIB market in the UK, this finding is important; it contributes to the growing evidence base on the use of top-up funds to ensure the financial viability of SIB and outcomes-based contracts. As highlighted in the previous section, interim findings from the LCF evaluation suggest that top-up funding was imperative for the successful launch of several of the case study projects (ICF Consulting Services, 2020). This raises a broader question of whether SIBs are viable for local commissioners without top-up funding.

The role of the top-up funds will also make it difficult to fully assess the extent to which stakeholders believe the SIB mechanism to be value for money. In one SIB in-depth review, the commissioner believed the SIB to be value-for-money because it meant they received additional funding via the SOF and CBO funds for their project. The fact that they had to pay a return to investors as part of the outcome pricing did not matter to them because they saw this as being paid for out of the top-up funds – although technically the money from CBO cannot be used to cover returns, in the commissioner's eyes it was being used in this way.

Our analysis also found that there was not always a specific underlying logic for pursuing a SIB: especially at first it appears that the money available to develop a SIB (through the CBO development grant), and a strategic interest in pursuing an innovative form of financing (supported more broadly by central government), were key facilitators. Of course, for a SIB to have launched, commissioners, providers and intermediaries needed to have more grounded motivations for pursuing a SIB (as we have outlined above).

However, this raises questions about commissioners' future motivations for pursuing a SIB, without the support of a central Fund or policy impetus, and whether these future motivations will be sufficient for getting a SIB off the ground. Additionally, this also makes it difficult to assess whether the SIB is doing what project stakeholders set out for it to achieve, when the logic for doing a SIB in the first place was not completely clear. Again, it is too soon to say whether SIBs are achieving what was initially intended by the concept, but it is an area that is worth exploring in later in-depth review rounds and wider stakeholder consultations.

3.3 The processes used to launch the projects

This sub-section focuses on the lessons learnt in designing and launching the nine CBO in-depth review families of projects. We examine how these lessons learnt vary, depending on the party leading the family/project (that is, commissioners, providers, investment intermediaries, or a specific entity set up for developing the family/project), exploring what worked well and what worked less well in each context, as well as what barriers and facilitators were common across all SIBs.

We also revisit the LOUD model (developed by Ecorys and the Policy and Innovation Research Unit (PIRU)) and reflect on the extent to which our findings confirm or challenge the LOUD principles. The LOUD report identified that SIB proposals sometimes did not progress for a number of reasons, and were unlikely to be launched if a commissioner or provider attempted to develop a SIB without a clear focus on four key factors (Ronicle, et al., 2017):

- Collective Leadership: Engagement in all organisations, at all levels
- Clear Outcomes: Clear, objective, attributable, (ideally) occurring within five years and (ideally) leading to cashable/efficiency savings
- Shared Understanding: Agreement over how the policy problem could be addressed, that the intervention has a good enough evidence base and is appropriate to the local area
- Data: On the size of the eligible cohort; costs and outcomes of current support; and outcomes from the SIB intervention. This is to build a credible and investable business case.

Throughout, we consider how our findings link to the wider literature on designing and developing SIBs, and we finish this section by discussing the implications of our findings for the wider SIB market.

3.3.1 Experiences of designing and developing projects depending on the lead party

As CBO has progressed, we have been able to establish a typology of the lead parties that have designed and developed the SIBs. This is outlined in Table 3.3 below.

Table 3.3: The different parties leading CBO projects' design and development

Lead party	Features	CBO In-depth review SIB projects/families
Commissioner	▶ A commissioning organisation (e.g. local authority or Clinical Commissioning Group) initiates the design and development of the SIB ▶ Can involve single commissioner or multiple commissioners	Positive Families Partnership
Provider	▶ A provider (e.g. a VCSE or private sector organisation) develops a SIB model ▶ The organisation actively engages commissioners with a view to them taking out contracts	Be the Change[49] EJAF Zero HIV[50] HCT Travel Training Ways to Wellness West London Zone
Investment intermediary	▶ An investment intermediary designs and develops a model ▶ The intermediary engages commissioners with a view to them taking out the contracts	End of Life Care Mental Health and Employment Partnership Reconnections

A common theme across all of the project/family, regardless of the party leading them, was that the design and development period was complex and lengthy. As shown in Table 3.4 below, on average projects took 2 ¾ years from inception to implementation, with 18 months spent to develop the specific SIB model. One project (PFP) took around four and a quarter years from initial discussions through to signing the contract. This was down in part to a change in the commissioning lead from Tower Hamlets to Sutton. Overall, however, it seems this is issue is not limited to CBO; the Life Chances Fund interim evaluation also highlighted that timelines took much longer than expected (ICF Consulting Services, 2020).

[49] The SIB transferred from being provider-led to commissioner-led (led by Northamptonshire County Council) 18 months into delivery
[50] EJAF is primarily a funder and is not delivering provision but is the lead provider/prime contractor in the SIB model, as well as also taking a catalytic commissioning and investor role alongside others in the SIB

Table 3.4: Length of time to develop a SIB

		Time from inception of commissioning idea to launch of service implementation	Time to develop the SIB specifics
WtW	3 ½ years	18 months	
Reconnections	2 years	10 months	
MHEP	1 ¾ years – 2 years	7 months[51]	
HCT	1 ½ years	1 year	
WLZ	2 ½ years	18 months	
Be the Change	3 years	1 year	
PFP	4 ¼ years	1 ½ years	
EOLCI	3 years	2 years	
EJAF Zero HIV	3 years	2 years	
Average	2 ¾ years	1 ½ years	

Source: CBO In-depth reviews

All of the families/projects benefitted from external funding to facilitate their development, with all of them, except EOLCI[52], accessing the CBO Development Grant to pay for development tasks such as researching interventions, identifying outcomes and payment structures, developing financial models and developing the business case. Each project received, on average, £93k, ranging from £30,000 for Be the Change to £150,000 for WtW and PFP (Table 3.5).

Several projects benefitted from multiple development grants. These include:

- Ways to Wellness: In 2012, Newcastle Bridges CCG (forerunner to Newcastle West CCG) received funding from Nesta to run a social prescribing pilot. Ways to Wellness later benefited from a grant from the North East Social Investment Fund to explore the concept, followed by a Department of Health Social Enterprise Investment Fund grant to develop this idea into a story to engage social investors, and then finally the CBO Development Grant to further develop the robustness of the business case.
- EJAF Zero HIV: The organisation funded their own pilots, to help test the intervention in primary and care settings, before they accessed any Development Grant funding.
- West London Zone: The project benefited from CBO Development Grant Funding but also secured philanthropic grants to deliver a pilot of its intervention, to build up the evidence base to help demonstrate to investors the viability of investing in a previously untested model.

[51] Data provided by The National Lottery Community Fund
[52] The EOLCI was not funded by CBO directly but did benefit from a development grant into an earlier model in the West Midlands

The use of multiple grants to develop the SIB emphasises the significant time and effort required to get SIBs off the ground.

Table 3.5: Development grant awards for each in-depth review family

	CBO Development Grant amount
WtW	£150,000
Reconnections	£63,000
MHEP	£148,400
HCT	£68,000
WLZ	£148,599
Be the Change	£30,000
PFP	£150,000
EOLCI	£147,800 (for Sandwell local authority)[53]
EJAF Zero HIV	£80,613
Devon Lifestyle Intervention	£86,475
Bradford Positive and Included	£49,600
Community Owned Prevention	£48,300
Average	**£92,999**

Source: CBO Management Information

While the CBO Development grant was available for any parties wishing to buy in technical support to develop their proposal for a grant, the CBO Full Grant Award was available only to commissioning organisations (e.g. LAs, housing associations, CCGs, and Police and Crime Commissioners (PCCs)). However, in exceptional circumstances The National Lottery Community Fund would consider applications from other organisations, such as providers, as long as a commissioner was involved. In practice, this meant that provider- and intermediary-led SIBs had to spend additional time engaging commissioners to apply for the Full Award, sometimes at their own risk (though other funding may have been available for some of this engagement work in some cases). In particular, stakeholders involved in these families/projects described the lengthy amount of time needed to engage, enthuse and ultimately commit multiple commissioning parties in order to access the development grant.

The use of multiple grants to develop the SIB emphasises the significant time and effort required to get SIBs off the ground.

[53] The Development Grant for Sandwell was for a separate project, and was funded 2 years before EOLCI

The provider- and intermediary-led families/projects that aimed to enter into contracts with multiple commissioners did benefit from being able to replicate certain elements of the SIB development process.

For example, MHEP had been designed to be readily used by other commissioners in the future, with elements such as ready-made performance management infrastructure already in place. Research elsewhere (Wooldridge, et al., 2019) similarly highlighted that this replication effect does appear to facilitate speedier development of SIBs.

However, there is still a need for local adaptation, and significant time needed to build relationships with all stakeholders to make a SIB work.

Across all in-depth review families of projects, stakeholders commented on how development funding was invaluable to, and often necessary for, the project to get off the ground. Within the commissioner-led project, (PFP) the development funding was instrumental in moving the project forwards, as the commissioners would not have had the resource or the specific skills needed to do the feasibility work in-house. An external intermediary was commissioned to do all of the development work in PFP, for example. For the provider-led projects, some work was commissioned out to specialist advisors/intermediaries, but most was done in-house.

This appeared to be because the providers had staff in-house who had the necessary expertise to lead the development work (for example in HCT), or chose to hire in a specific project leader to drive the SIB work (as in EJAF Zero HIV). In HCT, where the SIBs were being developed with an eye to replicate them across different commissioners, there was an obvious incentive to keep development in-house as much as possible, to ensure that expertise and knowledge was retained for future projects.

In EJAF Zero HIV the main incentive appears to have been more straightforwardly to ensure that the project had long-term dedicated support rather than relying on external advisors for a more concentrated period.

3.3.2 Facilitators of – and barriers to - project development

The in-depth reviews highlighted a range of factors that either facilitated the project development or made it challenging. Some were common across all projects, while others varied depending on the party that led the development, and others were specific to individual projects. Figure 3.1 outlines the main themes, and we go on discuss the themes in more detail below

Figure 3.1: Facilitators of - and barriers to - SIB development

3.3.2.1 Facilitators

The ability to learn from others was a key facilitator of SIB development, especially for the later projects, This included being able to learn from other intermediaries, advisors, investors and/or other commissioners. For commissioner-led projects, investment intermediary organisations and other advisors were engaged early on to talk about their experiences of developing SIBs, sharing learning about what worked and what did not, for commissioners to learn from. A local evaluation of a CBO project found that a critical success factor was the ability to learn from LAs in Birmingham, Essex and Manchester, who had experience of similar SIBs with young people in care. Provider- and intermediary-led projects were able to learn from earlier experiences of having their model commissioned – for example, after their initial contract, HCT were able to build in features that would improve the prospects being successful, such as expediting procurement, using procedures such as PIN[54] and VEAT[55].

A key facilitator to the successful development of the SIBs was having strong leadership. While important in the commissioner-led model, stakeholders in the non-commissioner led models pointed towards strong leadership coming from the chairperson of the entity organisation or provider, in championing the vision for the project and spearheading development (for example in West London Zone, Ways to Wellness and Be the Change).

One facilitator, which was not specific to projects led by a certain party but rather projects with multiple commissioners, was the ability for commissioners to share the costs of outcome payments, especially when the SIB aimed to tackle multi-sector issues. This was apparent in West London Zone, where the model was attractive to the LA because it meant that it could share the expense of a service it was interested in.

A facilitator specific to commissioner-led SIBs included having early engagement with the provider/intermediary/investor market to discuss plans for the SIB to ensure that the provider market was there to deliver the intended SIB, but also to provide input into the design of the specifications. The PFP found it helpful to contract the investment manager and delivery partner together to simplify the stakeholder management, although the need for this approach may have been heightened due to having multiple commissioners involved. Regular meetings and communications between all parties facilitated a shared understanding of the vision of the SIB, as well as keeping track of progress.

While for all of the projects the availability of the CBO outcome funding contribution was key for ensuring a financially viable SIB model, the promise of the CBO outcome funding contribution was particularly important for provider-led and intermediary-led SIBs. In these projects, the contribution was viewed as a key hook for engaging commissioners. For example, the PFP in-depth review states that, "*The CBO outcomes co-funding was also very important, because it made the venture financially viable for the commissioners (providing up to 18.5% of the contribution towards the overall outcome payment).*"

To further facilitate commissioners' involvement in SIBs, it was important for provider-led projects to be able to demonstrate the evidence base surrounding their intervention, either through sharing data from existing pilots (such as in Be the Change), and/or by using delivery models that had an existing evidence base (as in HCT). This was also the case in the intermediary-led projects. For example, MHEP was able to demonstrate a strong evidence base underpinning the Individual Placement and Support model, which facilitated new commissioners' interest. In West London Zone, funded through philanthropic grants, the team piloted the operational model to create some evidence, which could then be used to engage investors.

Stakeholders in provider-led projects also emphasised the importance of ensuring that commissioners were made aware of all possible implications of commissioning a SIB, such as the level of involvement needed to develop the business case or the data access requirements. The challenge of maintaining this awareness was highlighted in HCT and Be the Change, where the in-depth reviews found that effective stakeholder management could often be undermined by turnover and staff churn in commissioning organisations, as we discuss in Barriers below.

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[54] A Prior Information Notice (PIN) is a method for providing the market place with early notification of intent to award a contract/framework. It allows a narrow window for potential bidders to express an interest and then to submit a proposal in a period as short as 10 days. (GO Lab definition)
[55] A VEAT provides retrospective notice of decision to award a contract to a provider without competition. It is only used when there is a reason to believe that a single, named organisation is in a unique position to deliver a service to the requirements of the commissioner. (GO Lab definition)

3.3.2.2 Barriers

Our analysis found that many of the barriers experienced during the SIB development phase were experienced across all projects, and not just limited to projects where a specific party was in the lead. We begin by discussing these common barriers, before highlighting the barriers that were more specific to commissioner-led and non-commissioner-led projects.

Across all projects, stakeholder engagement and gaining buy-in was a key challenge during the SIB development process. While clearly not insurmountable (as all of the in-depth review projects successfully launched) this difficulty contributed to the long and complex development phase. Depending on the party leading the project development, the nature of gaining buy-in differed. In the commissioner-led projects, challenges with gaining buy-in typically related to lead commissioning staff gaining buy-in from other key decision-makers within their organisation, as well as engaging key staff from other teams (such as finance, legal and IT) to input into the SIB design and development process. Additionally, within commissioning organisations, decision-makers' concerns about risks involved and ideological concerns or issues about the political ethics of SIBs further delayed the development process. In terms of the risks involved, there were concerns about whether the SIB would lead to cashable savings for the commissioning organisations. One example is with projects in the policy area of Children's Services, specifically those aiming to prevent young people from going into care. A concern among commissioners here was the risk of paying for the outcome of a child remaining out of care, but where the children would not have actually gone into care. In terms of the ideological concerns, this was specifically mentioned in relation to the PFP SOC development, where stakeholders mentioned that there had been some political resistance among some senior decision-makers in a prospective London Borough, voicing concerns about social investors funding and profiting from public sector delivery.

With regards to buy-in among the non-commissioner-led models, stakeholders had to do additional work to actually engage and gain trust from commissioning organisations. In all three provider-led projects in our sample, stakeholders reported it taking a lot of time and effort to engage commissioners, which was further exacerbated by staff turnover within commissioning organisations, and commissioners dropping out. Stakeholders in West London Zone commented that the SIB received help from a number of organisations to develop the project, and it would not have been possible to launch the project had the organisations not given in-kind support. The Life Chances Fund evaluation also identified this issue, and highlighted that in some cases, providers felt they had not managed to engage with individuals in commissioning organisations with the requisite seniority to make decisions and carry things on (ICF Consulting Services, 2020).

Given the novelty of SIBs to all of the commissioners in the in-depth review families of projects, a challenge to SIB development was commissioning staff having the necessary understanding about SIBs and the knowledge, skills and capacity to carry out the tasks. In one of the commissioner-led projects, commissioners commented that the set-up had been *"resource-intensive"*, with one commenting that working in a SIB represented a new way of working. Within Reconnections, for example, representatives from the LA commented that they lacked the capacity to develop some of the more technical aspects of the project, including the financial model. Challenges relating to knowledge, skills and capacity are common to SIB projects and not limited to the CBO projects; research and evaluation by Williams (2019), Wooldridge et al (2019) and Ronicle and Smith (2020) similarly highlight how commissioners have faced some of these issues.

An issue particular to non-commissioner led families/projects related to commissioners' concerns about potential procurement risk in procuring a service led by a provider or intermediary.[56] For example, in HCT, one commissioner dropped out because of the perceived risk of letting a contract with a provider without there being competition. In Reconnections, commissioners were concerned about the risk of using a more closed procurement process, as they felt it would give less leverage to the commissioner, especially in terms of negotiations linked to outcomes.

Another key issue emerging across families/projects led by different parties was ensuring that the commissioned provision complemented commissioners' existing provision. While this is not a challenge specific to the SIB model per se and could be an issue relating to any commissioned service, it was a factor that caused some consternation amongst practitioners working in different commissioning organisations. For example, in one commissioner-led project, stakeholders reflected that more consultation and engagement with their existing relevant practitioner teams during the development phase would have facilitated a smoother 'bedding in' process when the project launched. This issue appeared to be heightened in the provider-led families/projects such as HCT and MHEP. For example, in HCT, there were challenges commissioning the service in Norfolk because of the reluctance of schools to commit to the training programme; this was due to concerns the HCT travel training programme would undermine existing in-house provision, even though such provision was unaffected by the new service and was provided to an entirely different cohort.

Another common challenge for the families/projects during the development phase was around agreeing a contract that all parties were satisfied with. In several of the in-depth review families of projects, stakeholders mentioned that agreeing the contract was complex and difficult, even when SIB contract templates were used. In West London Zone, the expertise and capacity needed during contracting with the LA exceeded those of the executive team, and the team relied on pro bono legal support offered to them through the investors. Without this support, stakeholders reflected that it was very likely the project would not have proceeded.

An issue that appeared to be more common in provider-led and intermediary-led projects was issues around accessing the data from commissioning organisations that was required to develop the business case. For example, in HCT, the large amount of detailed data analysis required a lot of input from LAs to authorise and facilitate access to the data. The extent of data access had implications for later project development. For example, in Ways to Wellness, an inability to access all the data as intended meant that the project has had to restrict its referral criteria based on what data was available to it.

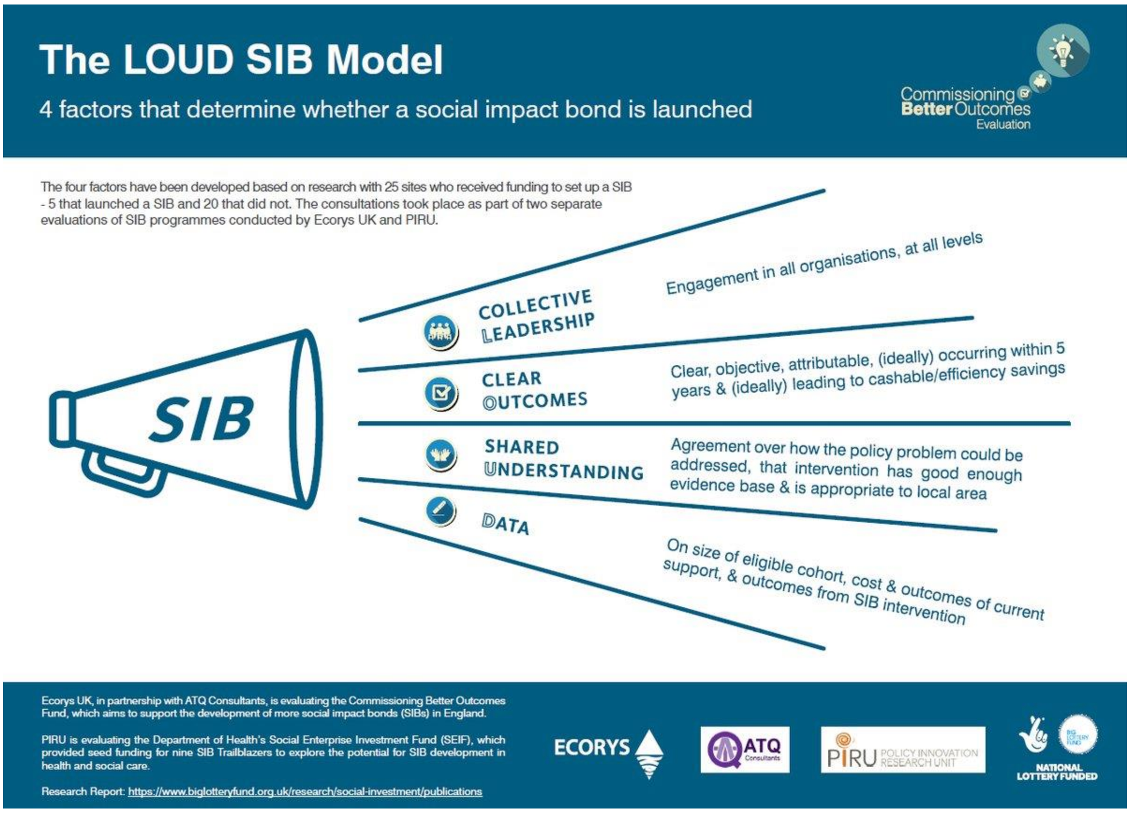
For projects/families with multiple commissioners, there were challenges relating to all parties agreeing on outcomes measures and payment structures. In West London Zone, for example, it took a long time during the development process for all stakeholders involved to agree on an outcomes framework that would align with the needs of all the commissioners. In a commissioner-led project, commissioners agreed on a single outcome tied to payment for the project to keep the model as simple as possible when so many commissioners were involved. Provider- or intermediary-led families/projects were able to overcome this challenge more efficiently, as their models had pre-defined outcomes measures and payment structures. Nonetheless, as highlighted above, local adaptation was still required in some cases.

[56] In response to some of the challenges emerging relating to procurement, the GO Lab set up the Procurement of Government Outcomes (POGO) Club. More details are here: https://golab.bsg.ox.ac.uk/community/peer-learning-groups/pogo/

3.3.3 Revisiting the LOUD model

In 2017, Ecorys, in partnership with PIRU, reviewed 25 sites that were developing SIBs as part of CBO and the Department of Health's Social Enterprise Investment Fund ("SIB Trailblazers"), looking at five SIBs that launched, and 20 that did not (Ronicle, et al., 2017). The research teams collaborated to examine what factors were present in the ones that launched compared to the ones that were not. The research identified four key factors, that are summarised in Figure 3.2:

Figure 3.2: Overview of the LOUD SIB model



Analysis of the nine in-depth review families of projects appears to largely confirm the LOUD model, in terms of these features all being present in the successfully launched families/projects. However, the research has highlighted how the experience of each of these areas has differed across the families/projects. We discuss each of the four factors in turn below.

3.3.3.1 Collective leadership

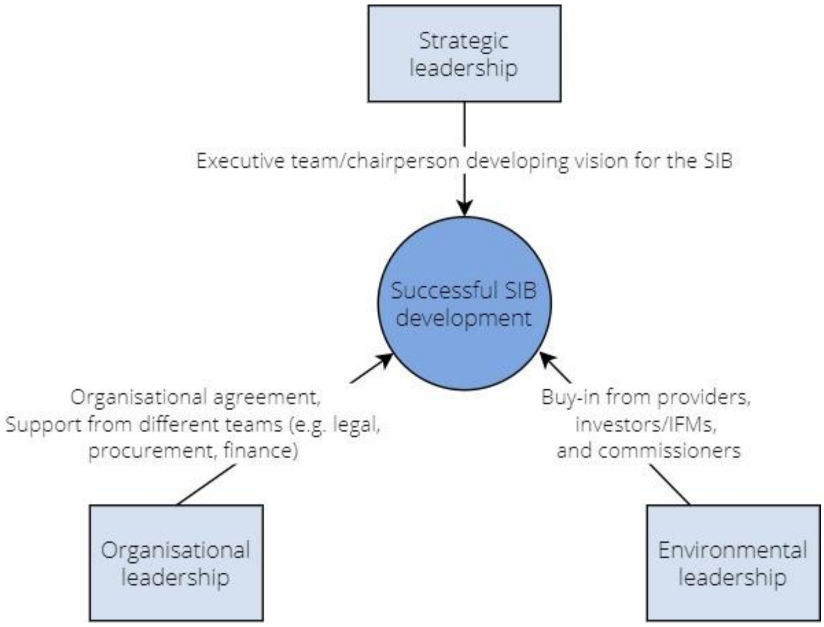
For all projects, all three types of 'collective leadership' – strategic, organisational and environmental[57] - (developed by Denis et al, 2001), were necessary. Strategic leadership (i.e. between members of the SIB leadership team), was necessary at the beginning, in terms of conceptualising and developing the vision for the family/project. This was apparent in all families/projects, but came across most strongly in the in-depth reviews for the non-commissioner led models. As highlighted above, stakeholders in these families/projects mentioned the benefit of having a driven executive team/chairperson(s) with strong motivation. However, this was balanced by the challenge of keeping up this momentum for the lengthy SIB development process (as mentioned in Be the Change). The need for organisational leadership (i.e. between strategic leaders and their internal stakeholders) was most clear within commissioning organisations. This was because commissioners required organisational agreement to proceed with a SIB (i.e. agreement from key decision-makers), as well as ongoing buy-in and support from colleagues in different departments (e.g. business support, finance, legal and procurement) in order to build the business case, undertake procurement, and develop the contract. The need for environmental leadership (i.e. between the team and outside stakeholders) was clear in all families/projects; as highlighted in the LOUD report, this is by virtue of SIBs requiring the input of – at the least – a commissioner, an investor and a provider. However, strong environmental leadership was perhaps most important for non-commissioner-led families/projects, due to the need for providers/intermediaries/specific entities to engage, and gain commitment from commissioning organisations to take forward their model.

Overall, the main challenge in relation to 'collective leadership' was the length of time and effort needed to build up collective leadership within and across organisations, which was at times compounded by commissioner churn. However, as shown in Figure 3.3 below, many stakeholders across all families/projects reflected on how strong leadership – at all three levels – facilitated the development of their SIB. Based on the evidence to date, it appears that collective leadership is indeed necessary for the successful development of SIBs.

Based on the evidence to date, it appears that collective leadership is indeed necessary for the successful development of SIBs.

[57] Strategic leadership is between members of the SIB leadership team; organisational leadership is between these leaders and their internal stakeholders, and environmental leadership is between the team and the organisation's external environment/outside stakeholders.

Figure 3.3: Levels of leadership needed for successful SIB development



3.3.3.2 Clear outcomes

Defining and agreeing on outcomes measures and payment structures was a clear area of difficulty across many families/projects in two key ways: firstly in terms of agreeing outcomes that suited the needs of (all) commissioners that were also easily measurable and attributable to the intervention. In some families/projects, this also related to whether the outcomes achieved would lead to cost savings for the commissioner. The first area of challenge (agreeing outcomes) was present in most of the families/projects, but most notably for projects with multiple commissioners, for example, in West London Zone where deciding on the outcomes framework was a lengthy and complex process. Another challenge related to commissioners' concerns about funding outcomes which could generate benefits to other commissioners. This was the case in Ways to Wellness, where benefits would be generated for NHS England and the local authority, but the Newcastle Gateshead Clinical Commissioning Group funded the majority of the outcomes (the 'wrong pocket' problem, as referenced previously).

The second area of challenge (ensuring outcomes achieved will lead to cost savings), was also clear, particularly in the preventative SIBs. For example, in Ways to Wellness, commissioner stakeholders were nervous about being able to unpick whether the project has really saved them money, despite paying for the outcomes. This was the same in children's services edge-of-care SIBs, as mentioned previously in this chapter.

3.3.3.3 Shared understanding

Within the LOUD model, ensuring a shared understanding of the policy 'problem', and how it can be addressed among commissioners, providers, intermediaries and investors, is seen as crucial. A key part of this – although not necessary – is that the proposed intervention is credible or knowledge-based, or it is seen as a viable option in the area that it is delivered. The evidence from the nine in-depth review families of projects generally confirms that having this shared understanding is necessary for the SIB development, although, as suggested in the LOUD model report, it is not always necessary for the intervention's operational model used within the SIB to have a strong evidence base. As highlighted earlier, for example, in West London Zone, where the operational model had a limited evidence base, the team ran a pilot project to test the efficacy, prior to commissioning it through a SIB.

Ensuring a 'shared vision' appeared to be more challenging in the non- commissioner-led SIBs, as providers and intermediaries were typically approaching commissioners with a model that they had already largely developed, so needed to convince commissioners of the added value of the local need for the service. For example, a key piece of learning from Tower Hamlets's commissioning of MHEP was that resources need to be dedicated to the communication task so that the new idea is 'sold' continuously.

Another challenge for some of the SIBs was operationalising the vision for the project. This occurred particularly in the multi-commissioner SIBs, or where the operational model was being implemented in multiple contexts, to ensure consistency and shared understanding among operational staff about the project.

While largely confirming the findings of the LOUD model, the in-depth review reports also highlight an area of possibly expanding on the 'shared understanding' element of the LOUD model, in terms of the importance of ensuring practitioners within commissioning organisations are also bought in to the vision. This is especially the case where there is potential for the SIB support to overlap with existing related provision. Additionally, this LOUD factor could also be extended to the involvement of potential service users, or people with lived experience of the policy 'problem', to advise on the design of the project.

3.3.3.4 Data

As highlighted in the previous section, accessing the data needed to develop the SIB was difficult for several in-depth review projects, and in one project (Ways to Wellness) the lack of data access even meant that the project had to restrict its referral criteria. Accessing and reviewing data was also a considerable challenge for the HCT Travel Training SIB. The business case for this SIB and its intervention depended on it reducing demand for specialist transport (minibuses and taxis) ultimately leading to savings to commissioners. However, as mentioned in the previous chapter, these savings only accrued if existing transport could be rationalised, and a great deal of data was needed both to identify existing transport usage and analyse how it would be affected by fewer young people with special needs using it, Even after such analysis, the HCT team inevitably had to make considerable assumptions about how much rationalisation would be possible in practice, and how quickly it would happen, based on yet more data about e.g. existing contracts with taxi firms.

Overall, the findings from the nine in-depth review family of projects confirmed the findings of the LOUD model report, in that while a substantial amount of data was needed to develop the SIB, the amount also depended on the level of risk that investors were willing to take. For example, the investors for West London Zone wanted evidence that the intervention would work, so the pilot was needed to test the viability for investment. In another project, evidence-based interventions were chosen because market testing (with investors) indicated that investors would be more likely to back an evidence-based intervention. Therefore, substantial data was needed in these cases to demonstrate the evidence base on the interventions.

3.3.4 Evaluative Insight: The process used to launch projects

The evidence from the in-depth reviews so far suggests that the CBO SIBs have taken a long time to develop, required development grants, involved many stakeholders, and have been complex to design. They have required strong, charismatic leadership, commitment, and willingness to 'go the extra mile'. To some extent, this is not necessarily surprising, as these were some of the first SIBs to be developed in the UK and for many of the stakeholders involved, developing a SIB required a new way of working, developing their knowledge, and learning new skills. The process of development seems to have been most challenging for provider- or intermediary-led projects, as these projects required the engagement of, and subsequent buy-in from, commissioners to use their model. Although we have seen that in these projects, where multiple contracts have been developed in succession with different commissioners each time, there are efficiencies to be gained over time, with some elements of the process replicable, stakeholder engagement and management – at all three levels of collective leadership – is not easily replicable and still takes time.

4. Progress of the CBO projects part-way through delivery

This chapter describes the progress of the CBO projects s, drawing on programme outcomes data and emerging findings from the mid-point and final in-depth reviews.

The findings set out in this chapter are based on five mid-point / final visits to the in-depth review families of projects. It includes findings from both published reports (on WtW, WLZ and MHEP) and from reviews that at the time of analysis (March 2021) were not published but were sufficiently well advanced for us to be able to draw reasonable conclusions;[58] in the latter cases our findings have not been attributed to named projects. In subsequent update reports we plan to update and expand these findings as we complete and publish more mid-point and final visits to the in-depth review families of projects.

In addition to the mid-point and final in-depth reviews we have, as in earlier sections, drawn on the experience of other CBO projects and on wider literature where it adds to our understanding of the issues described. The chapter also draws on Management Information provided by The National Lottery Community Fund up to March 2018.

This chapter is structured as follows:

- The progress of the CBO projects
- The advantages of SIBs and how the SIB mechanism enables projects
- The disadvantages of SIBs and the challenges that the SIB mechanism creates.

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[58] By this we mean the primary research had been complete. However, all in-depth reviews go through a fact-check with stakeholders before publishing. These in-depth reviews were in the process of being fact-checked. It is therefore possible that some minor details would be amended.

4.1 Progress of CBO projects

Table 4.1 provides information on the number of service users the CBO projects have engaged and Table 4.2 details the number of outcomes achieved by the projects. These tables draw on Management Information supplied by The National Lottery Community Fund up to March 2018. 'Planned' is the total number of service users the project intended to engage in a given year, reported at the beginning of that year. It is important to note that these are annual 'estimates', and in reality the number engaged is likely to fluctuate across the years. Therefore, this data only gives an indicative impression of performance; actual performance will only be fully known once the projects have ended.

These tables show that progress up to 2018 has been variable. On average (median) projects had engaged 66% of the service users they anticipated by that point (ranging from 171% to 28%), and had achieved 57% of anticipated outcomes (ranging from 111% to 14%). Of the 13 projects live by March 2018, one project was doing very well – Be the Change, which had exceeded engagement and outcome expectations. Three projects were close to expected outcomes (Ways to Wellness, Reconnections and West London Zone). Five projects had significantly lower-than-expected (>50% lower) outcomes (Birmingham Step Down, MHEP Haringey, MHEP Camden, MHEP Enfield and HCT Travel Training). However, six of these projects had one year of performance data, so it is perhaps premature to review their overall progress.

Progress up to 2018 has been variable. On average projects had engaged 66% of the service users they anticipated and had achieved 57% of anticipated outcomes.

Table: 4.1 Summary of CBO portfolio **engagement** progress, actual number engaged (#) and percentage of planned volumes for those date points (%), 2015 – 2018

CBO Project	14/15		15/16		16/17		17/18			2015-18 total		
	#	% of planned	#	% of planned	#	% of planned	#	% of planned		Planned #	Actual #	% actual
Birmingham Step Down	10	100%	8	44%	14	78%	12	50%		70	44	63%
Ways to Wellness			1128	103%	1174	66%	1673	78%		5025	3975	73%
Reconnections			272	19%	395	40%	657	66%		3445	1324	38%
West London Zone (H&F)					132	110%	515	107%		601	647	108%
MHEP Staffordshire			0	0%	243	74%	200	49%		792	443	56%
MHEP Haringey			9	300%	34	28%	40	45%		81	83	102%
MHEP Barnet							16	44%		36	16	44%
MHEP T. Hamlets			0	0%	247	67%	148	30%		866	395	46%
MHEP Camden							113	81%		66	113	171%
MHEP Enfield							8	28%		29	8	28%
Turning the Tide							50	94%		53	50	94%
HCT Lambeth							39	66%		59	39	66%
Be the Change							64	136%		47	64	136%

Source: The National Lottery Community Fund. MI. Dark green = met or exceeded annual planned numbers. Light green = 75% - 99% of annual planned numbers achieved. Amber = 50% - 74% of annual planned numbers achieved. Red = fewer than 50% of annual planned numbers achieved. 'Planned' refers to figures from original CBO award agreement.

Table 4.2: Summary of CBO portfolio **outcomes** progress, actual number of outcomes achieved (#) and percentage of target (%), for date points within period 2014 - 2018

CBO Project	14/15		15/16		16/17		17/18		2015-18 total		
	#	% (of planned	#	% of planned	#	% of planned	#	% of planned	Planned #	Actual #	%
Birmingham Step Down	0	0%	5	63%	4	50%	4	17%	48	13	27%
Ways to Wellness			197	61%	2422	80%	5590	91%	9472	8209	87%
Reconnections			11	5%	308	69%	492	146%	991	811	82%
West London Zone (H&F)			0	0%	108	120%	832	91%	1001	940	94%
MHEP Staffordshire			0	0%	296	83%	271	45%	956	567	59%
MHEP Haringey			9	64%	64	32%	83	44%	401	156	39%
MHEP Tower Hamlets					330	71%	275	39%	1171	605	52%
MHEP Barnet							50	72%	69	50	72%
MHEP Camden							135	98%	324	135	42%
MHEP Enfield							8	14%	57	8	14%
North Somerset TtT							26	57%	46	26	57%
HCT Lambeth							32	39%	82	32	39%
Be the Change							115	111%	104	115	111%

Source: The National Lottery Community Fund MI. Dark green = met or exceeded annual planned numbers. Light green = 75% - 99% of annual planned numbers achieved. Amber = 50% - 74% of annual planned numbers achieved. Red = fewer than 50% of annual planned numbers achieved. 'Planned' refers to figures from original CBO award agreement.

Table 4.3 overleaf shows the total outcome payments made to these projects over the same time period. In total, local commissioners and The National Lottery Community Fund made £6,853,106 of payments, against an expected £8,854,501 (77% of expected); local commissioners paid a total of £6,034,019 (77% of expected) and The National Lottery Community Fund paid £2,200,227 (78% of expected). On average (median), each project received £195,870 in outcome payments, against an expected £384,700. This ranged from £2,308,572 (for WtW)[59] to £2,520 (for MHEP Enfield). The project that had exceeded original projections the most was Turning the Tide (payments were 35% higher than expected), whilst the project that had received the lowest payments compared to the expected amount was MHEP Camden (payments were 6% of expected). However, different projects are of different sizes and were at different stages in delivery, so the reader should exercise caution when comparing the projects. What this data does show, though, is that only one project (Turning the Tide) was receiving the expected level of payment, with 10 out of 13 receiving less than 80% of expected.

[59] It should be noted that no outcome payments were made by CBO to WtW over the 2015-2017 period. Under the agreement with WtW, all co-payments were made by the Social Outcomes Fund (SOF) until late 2017, when CBO took over. Of the £2.308m in outcome payments mentioned here, SOF contributed £927k and Newcastle Gateshead CCG contributed the rest.

Table 4.3: Total outcome payments for CBO projects 2014 - 2018

SIB Project	Commissioner payments			CBO payments[60]			Total payments		
	Planned	Actual	% (actual v planned)	Planned	Actual	%	Planned	Actual	%
Birmingham Step Down	£1,542,817	£1,132,982	73%	£198,683	£164,081	83%	£1,741,500	£1,297,063	74%
Ways to Wellness	£1,603,238	£1,381,470	86%	£1,075,300	£927,102	86%	£2,678,538	£2,308,572	86%
Reconnections	£611,040	£390,280	64%	£130,900	£95,164	73%	£741,940	£485,444	65%
West London Zone	£618,092	£579,980	94%	£400,02	£392,648	98%	£1,018,113	£972,628	96%
MHEP Staffordshire	£235,509	£168,379[61]	71%	£216,260	£166758	77%	£451,769	£335,137	74%
MHEP Tower Hamlets	£455,066	£369,097[62]	81%	£453,061	£282,885	62%	£908,127	£651,982	72%
MHEP Haringey	£133,022	£111,540[63]	84%	£78,856	£55,677	71%	£211,878	£167,217	79%
MHEP Barnet	£106,000	£44,400[64]	42%	£20,320	£19,960	98%	£126,320	£64,360	51%
MHEP Camden	£115,800	£110,400	95%	£102,152	£26,170	26%	£217,952	£136,570	66%
MHEP Enfield	£30,200	£1,260	4%	£11,802	£1,260	11%	£42,002	£2,520	6%
North Somerset TtT	£97,535	£148,078	152%	£47,792	£47,792	100%	£145,327	£95,870	135%
HCT Travel Training	£324,700	£68,200	21%	£60,000	£13,650	23%	£384,700	£81,850	21%
Be the Change	£161,000	£146,813	91%	£25,335	£7,080	28%	£186,335	£153,893	83%
Total	£6,034,019	£4,652,879	77%	£2,820,482	£2,200,227	78%	£8,854,501	£6,853,106	77%

[60] Please note that although all payments are shown as CBO payments, all payments to Birmingham Step Down, WtW, Reconnections, MHEP1 , and MHEP Barnet were made from the SOF until 31 March 2018. The CBO only funded payments to these projects from April 2018.

[61] £131,550 of this was a 'block payment' not attached to outcomes; £47,129 was an outcome payment.

[62] £220,660 of this was a 'block payment' not attached to outcomes; £148,437 was an outcome payment.

[63] £65,340 of this was a 'block payment' not attached to outcomes; £46,200 was an outcome payment.

[64] £4,800 of this was a 'block payment' not attached to outcomes; £39,600 was an outcome payment.

Source: The National Lottery Community Fund Management Information. Dark green = met or exceeded planned payments. Light green = 75% - 99% of planned payments made. Amber = 50% - 74% of planned payments made. Red = fewer than 50% of planned payments made. 'Planned' refers to figures from original CBO award agreement.

We undertook further analysis on the outcomes achieved, to understand whether progress varied in terms of the type of outcome, both related to the policy area and also whether the outcome was a 'hard' or 'soft' outcome, or an engagement payment. The full table from this analysis is in Annex 1. Tables 4.4 and 4.5 show how outcome progress breaks down by outcome type (Table 4.4) and policy area (Table 4.5). Table 4.4 shows that 15% of outcomes to which payments were attached to were for engagements. The majority of outcomes achieved were soft outcomes – 58%, though this is heavily skewed by the size of WtW (only three of the 13 projects included payments for soft outcomes, and of the 6,812 soft outcomes achieved, 6,001 – 88% - were from WtW[65]). Most progress was made against soft outcomes (achieving 84% of expected), with the least progress made against hard outcome targets (achieving 61%).

Whilst Table 4.5 is interesting, we do not have enough qualitative data at this stage to interpret whether there is meaning behind the differences in success across policy areas (as opposed to being skewed by one or two projects), and what might be driving this. We will explore this further in the next Update Report.

Table 4.4: CBO portfolio outcomes progress by type of outcome, 2015 - 2018

Type of outcome	# of outcomes achieved	% share of outcomes (e.g. out of all the outcomes, what % are soft)	Outcomes achieved as % of target – Average (median)
Engagement payments	1,750	15%	51%
Soft outcomes	6,812	58%	84%
Hard outcomes	3,105	27%	61%

Source: The National Lottery Community Fund Management Information. Dark green = met or exceeded planned numbers. Light green = 75% - 99% of planned numbers achieved. Amber = 50% - 74% of planned numbers achieved. Red = fewer than 50% of planned numbers achieved. West London Zone's third outcome is a composite outcome made up of soft and hard indicators; for the purposes of this table it was counted as a hard outcome.

The key lesson emerging to date is that optimism bias in pre-launch forecast performance has been more of a factor in why projects are not achieving forecast outcomes than in-project mismanagement

[65] Soft outcomes from WLZ are not included in this figure because the WLZ outcome data was not provided broken down by outcome.

Table 4.5: CBO portfolio outcomes progress by policy area, 2015 – 2018

Policy area of outcome	# of outcomes achieved	Outcomes achieved as % of target – Average (median)
Health and wellbeing	9,020	94%
Employment and training	473	37%
Education and early years	972	53%
Homelessness	56	119%
Children and family welfare	24	62%

Source: The National Lottery Community Fund Management Information. Dark green = met or exceeded planned numbers. Light green = 75% - 99% of planned numbers achieved. Amber = 50% - 74% of planned numbers achieved. Red = fewer than 50% of planned numbers achieved. Engagement payments excluded. For 'Children and family welfare' a mean has been used rather than median, as this only relates to two outcomes.

Based on the qualitative evaluation research and Project Monitoring Reports submitted by projects, both the reasons for variation in performance and the action taken to correct it varied widely between projects. The main reasons were either a shortfall in referrals / inappropriate referrals (leading in due course and indirectly to underachievement of outcomes); the needs of service users being higher than anticipated; and various delivery factors leading to direct failure to meet forecast outcome targets. In HCT there was action to review performance after the number of referrals started to fall consistently below the level forecast and also below the minimum level specified in the contract. In Reconnections and MHEP there appear to have been operational issues as well as some over-forecasting of likely outcome achievement (see section 4.3.2 below) while in WtW there was a shortfall in referrals compared to forecast (though referral volumes were still high compared to most social prescribing projects).

Projects had taken a range of actions to address these issues, including closer and more direct management, sometimes to an extent that stakeholders have found uncomfortable – see section 4.2.1; providing additional resources; increasing time and effort spent marketing the projects to local services to increase referrals; and, in several cases, seeking to renegotiate contract terms (see section 4.1.2 below).

A key question that emerges from all the mid-point and final reviews analysed for this report, on which we comment further below, is whether those projects that were failing to meet expected outcomes were doing so because there had been management failings, or because the expectations set for them (whether through modelling by the parties who initiated the project or by advisors hired by lead parties) were inherently optimistic. While both have been factors, the key lesson emerging to date is that optimism bias in pre-launch forecast performance has been more of a factor than in-project mismanagement. For this reason, we recommend that future projects focus carefully on ironing out optimism bias, which we discuss further in Section 4.3.2.

The remainder of this chapter describes the advantages and disadvantages of the SIB mechanism, drawing primarily on the in-depth review findings.

4.2 Advantages of the SIB mechanism

Table 4.6 below summarises the advantages of the SIB mechanism that emerge from the mid-point and final reviews analysed for this report, and subsequent sections describe these in more detail. The table applies a Red, Amber Green (RAG) rating to identify broadly how much the benefit was evident in each of the families of projects we reviewed at the mid- and final points, with Green meaning that the benefit was strongly evident and Red that it was not – see key for further details. Note, these focus on the advantages and disadvantages that emerged during delivery, i.e. they do not necessarily focus on the advantages to launching a project; these have been covered in previous Update Reports and will be re-visited in the final Update Report.

Table 4.6: Benefits of a SIB approach emerging from mid-point and final reviews

Key to RAG rating.	Strong evidence of the benefit from mid-point / final review – e.g. triangulated independently by multiple stakeholders	Some evidence of the benefit – e.g. mentioned by two stakeholders independently, or strongly by one stakeholder	Little or no evidence of the benefit from mid-point / final review

Project / SIB Benefit	Ways to wellness	MHEP	West London Zone	Anonymised in-depth review	Anonymised in-depth review
Additional performance management by org. separate to provider	SPV managed referral performance proactively	Intermediary funded to take action and did so repeatedly	SPV managed performance directly	Intermediary funded to take action and did so repeatedly	Provider managed performance directly
Improved use of data and systems	Strong internal systems and data feedback loops	Does not emerge strongly from mid-point review	Bespoke data-driven approach to identify at-risk children	SIB led to greater use performance data than in previous projects	Good use of data to diagnose performance on referrals
Flexibility to change delivery	Flexibility to tailor intervention emphasised by providers, service users and WtW SPV	Much limited by use of high fidelity intervention (IPS)	Large amounts of flexibility – intervention significantly restructured in Year 2	Providers constantly reflecting on provision and assessing benefits of change	Intervention relatively structured
Enabled wider outcomes focused culture among providers	Mixed evidence – some providers prospered, others withdrew	Identified as a motivating factor that drove whole team performance	No strong evidence from mid-point review but WLZ pursuing a second SIB	SIB approach inspired behaviour change among providers, including in (non-SIB) work.	Service provider remains interested in outcomes-based approaches but has closed the arm of their business in which the SIB was operating
Greater social impact than alternative commissioning approaches	Action to increase referrals successful and most believe led to greater outcomes	No strong evidence – performance well below targets across all contracts	Performance strong and likely to have been better than alternative approaches	Performance below forecast	Mixed – referral performance inhibits impact

Source: Information from in-depth reviews. Ratings based on information, views and experiences of stakeholders interviewed. In-depth reviews include interviews with a sample of stakeholders, and so other views and experiences could exist.

4.2.1 Better performance management

There is strong evidence from the mid-point and final reviews that projects have benefited from 'better' performance management, by which we mean that when compared to most conventionally funded projects, these outcomes-based projects experience closer and more regular scrutiny of performance, and/or faster and more decisive action to rectify under-performance when it occurs. By 'performance' we generally mean whether the project is delivering the outcomes expected, as measured by the metrics and targets built into its contracts (see Section 2.2.3, where we highlight these metrics are not always 'outcomes'). These tend to be the performance indicators on which all parties focus, since they are a) linked to payment under the SIB, and therefore have a direct financial impact on those who benefit from payments – almost always investors, and sometimes providers; and b) are likely to be the key indicators of project success for commissioners, who tend to set outcome metrics that reflect their key project objectives.

Stakeholders attributed this to two distinct and often complementary factors:

- The specific funding of an enhanced level of performance management including dedicated or part-dedicated performance managers and supporting systems. As discussed in Chapter 2, funded performance management is a feature of most of the in-depth review family of projects, including those we had reviewed at the mid- and final point for this report.
- The incentive to greater and more regular scrutiny of performance that comes from a focus on outcomes, and in particular from payment being linked wholly or partly to outcomes. Thus when outcomes fail to match forecast or expectations, to various degrees the parties to the contract are incentivised to get things back on track; the impetus for action tends to come from those bearing financial risk if outcomes fall short, and thus mainly from investors (or their representatives), or from providers where they are bearing or sharing financial risk. However, commissioners also have an incentive to resolve performance shortfall, since they may want or will have forecast both financial and social benefit from outcome achievement and may have contractual liabilities built into the SIB relating to e.g. a minimum referral volume. In addition, all parties have a reputational stake in project success which is amplified by the public recording of its success under the OBC approach promoted by the top-up funder – The National Lottery Community Fund.

The effect of these factors was two-fold:

- It has ensured that there was swift action to rectify performance issues. Since data was being reviewed regularly and often (and was supported by better data analysis, as we note in section 4.1.2 below) there tended to be quick action both to identify and then address issues. Most stakeholders across the reviews reported that this type of rapid action would be absent, or much less pronounced, in conventional contracts;
- It positively affected key performance metrics in some cases. For example and as noted below, WtW took action to improve referral rates because they were below plan and forecast. These actions improved referral rates, and ultimately are likely to have led to more outcomes, and thus more social impact.

There is strong evidence from the mid-point and final reviews that projects have benefited from 'better' performance management, by which we mean that projects experience closer and more regular scrutiny of performance, and/or faster and more decisive action to rectify under-performance when it occurs.

Examples from specific projects include the following:

- In WLZ there was evidence that the SIB structure supported the early embedding and prioritisation of robust performance management to achieve greater impact. The WLZ CEO was clear that a lot of the monitoring and governance processes were first introduced to meet the requirements of the SIB. WLZ also reported that they were working with local delivery partners to build their own capacity and skills in performance monitoring and impact management.
- In two other families/projects, an intermediary was engaged specifically to manage performance and took action when there were performance shortfalls. In one family/project, a person with previous expertise and experience in running and delivering a SIB, stepped in to support the project manager because of low performance. The general feeling was that this led to a step change in performance, albeit at greater expense. In MHEP all three providers, across three contracts, had similar performance challenges at an early stage including in stepping up to a targeted performance regime, in the initial capabilities of front-line personnel and in the quality of team leadership. Stakeholders were positive about the role played by the Social Finance performance management team in addressing these issues, for example by providing hands-on support, training and operational expertise (though it is arguable that the Social Finance team were in part addressing problems caused by its own organisation's over-optimistic forecast of performance when initially developing the SIB). It is interesting to note that they had this positive view even though the support they received did not always improve outcome performance, which in some cases stayed below expectations.
- In WtW the SPV Board took action to address a shortfall in referrals by changing the provider contracts to link payments more directly to generating referrals.

To underline this point, in another project that did not have additional external performance management, when issues arose the project was less swift to respond than in the other projects we reviewed.

Similar issues emerged from other CBO-funded projects, with Project Monitoring Reports showing both the positive impact of performance management and the negative impact of issues such as under-referrals.

Most stakeholders across the reviews reported that the rapid action to idenfity and then address issues would be absent, or much less pronounced, in conventional contracts.

In most cases it seemed clear from our reviews that investors or their representatives (usually investment management intermediaries) took the lead in managing performance and addressing performance variations – which is not surprising since they are, by design, bearing the bulk of financial risk in most cases. It is therefore reasonable to conclude that improved performance management (albeit not always resulting in improved performance) is a direct consequence of the SIB mechanism, and of the involvement of investors. Other research shows investors having a positive impact across many SIB projects – for example the DCMS study into the challenges and benefits of commissioning SIBs and potential for replication and scaling noted that:

"Developing data collection and performance management approaches was difficult for some commissioners because it required a shift in commissioners' traditional approaches to contract management. Commissioners benefitted from the insights of investors, who used their expertise in ensuring the development of robust performance management approaches." (Wooldridge, et al., 2019, p. 12)

Similar findings have emerged from other evaluations of SIB programmes; the evaluation of the Youth Engagement Fund found that the SIB mechanism had had a number of positive impacts on performance, including the 'Investor effect', bringing external scrutiny and external pressure for the provider to perform; and new and different ways of thinking in how projects should be managed (Ronicle & Smith, 2020). The same evaluation found that the SIB mechanism and investor involvement had led to better 'real time' understanding of project performance, with the service providers having a better understanding of project performance compared to running services through standard contracts (Ibid p. 56). In addition, Williams noted that:

"One of the hallmarks of the SIB model is a heavy reliance on ongoing performance management as a way to ensure that providers are meeting targets and producing outcomes. This includes "real-time" monitoring of data and early indicators (e.g. referrals; enrolments) that are believed to correlate with future outcomes, and the introduction of changes and course corrections when things are not tracking as expected." (Williams, 2019, pp. 54-55)

4.2.2 Improved application of data and systems

A further benefit of SIBs identified from the mid-point and final reviews analysed for this report (and one that relates closely to performance management) was that they improved the way that organisations used and applied data (and the systems needed to collect and report on that data). This arose partly from the need for better data to drive performance, but there were also examples from projects of data being used well to support identification of those most likely to benefit from specific interventions. For example, a key area of success cited by WLZ was their bespoke data-driven approach to identify at-risk children, enabled by asking school leaders to implement a bespoke survey with all of their pupils aged 8 and above at the start of the school year. The project believed that this data-driven approach was more effectively targeting students who need early intervention support and would not be otherwise identified, either because their current need is not at crisis point or they are 'under the radar' for other reasons.

Similarly, the main 'SIB effect' highlighted by most stakeholders in another project was the ability to generate a comparatively high amount of performance data to truly understand whether the project was performing and having a positive or negative impact on its service users. On a monthly basis, the project manager worked with each provider to assess the number of referrals, any changes in the outcomes of service users, the satisfaction levels of each service user supported by the provider (measured through a questionnaire) as well as spot checks with service user case files to assess how performance was progressing. This is not to say that other non-SIB projects do not have performance data, but that this project was assured of this by being a SIB.

Other CBO projects reported similar benefits. In one project, the annual report for 2018/19 states that the database that supports the project for all stakeholders had "*gone through two iterations in order to deliver effective reports and insight required to improve performance*" and specifically attributes this to the investor, which had *"invested in improving the operations to make them more sustainable, including in an improved data management system*". Another project's annual report (18/19) emphasises the value of data-driven, targeted improvement activity and the development of a monthly dashboard which provides workflow and specific operational performance metrics that inform all quarterly review meetings. A third project reports (18-19) how it re-built its data model and re-calibrated some of its metrics to capture operational activities more precisely: *"This has allowed us over the course of the year to produce significantly more data outputs, increase the range and types of data we report on to all our stakeholders, and gain insights more rapidly to inform day to day delivery decisions".*

The YEF Evaluation also found this positive effect in two of the four projects. In these projects, "*The service providers substantially improved their data collection and management systems. For example, one service provider recruited a new data administrator and invested in new data handling software. This was in order to meet the additional reporting requirements that come with having to generate evidence to claim outcomes, and to provide performance and forecasting data to the investors"* (Ronicle & Smith, 2020, p. 56). The evaluation noted that ,*"The more robust data collection and management systems, combined with the requirement to report to the investors on a monthly basis, coupled with a stronger focus on outcomes, all resulted in the service providers having a better understanding of the project performance compared to running services through standard contracts" (Ibid, p. 56).*

The study into the benefits and challenges of commissioning SIBs found that better data management and collection had a spill-over effect, with stakeholders highlighting how *"learning from the design and development of robust data systems for the SIBs had spilled over into how they approached data collection on their other contracts (such as fee-for-service)".* (Wooldridge, et al., 2019, p. 51).

It will be interesting to explore in future reports whether and to what extent these claimed wider benefits come to fruition and are sustained, and providers do indeed apply similarly rigorous levels of data management and scrutiny in other, non-SIB projects such as fee for service contracts.

4.2.3 SIBs enable greater flexibility

There was also strong evidence from the mid-point and final reviews that SIBs enable greater flexibility than conventional contracts. We observed this at two levels:

- Ability to adapt and flex delivery
- Ability to change contract terms.

We cover each of these in turn below.

4.2.3.1 Ability to adapt and flex delivery

Our reviews showed that there was often greater flexibility to adapt the delivery of the service or intervention in the light of individual needs or learning as the projects progressed. This arose largely because the SIB contracts specified outcomes rather than inputs or activities, and thus there was usually – but not always – more freedom for providers to adapt the intervention as required. There was also more drive from those managing delivery and deciding how the intervention should be delivered, to change the intervention (and to do so more quickly) in order to achieve outcome targets – thus the freedom to flex the intervention was used more widely and more readily than it otherwise might be – as part of what might be termed an 'adaptive mindset' on the part of providers. This ability to flex and adapt delivery was sometimes known as the 'black box' effect[66].

We observed widespread use of the increased flexibility offered by the outcomes-based structure: WLZ had large amounts of flexibility to adapt their intervention based on what they thought was effective, and changed the intervention from a varied 1-3 year intervention to a more structured 2-year intervention. This was based on learning that one year was not enough time to achieve the outcomes for children with multiple areas of need, and also to simplify the intervention and subsequent payment structures. Key stakeholders in provider organisations delivering another project commented that the focus on achieving an outcome in the SIB structure meant that they were constantly reflecting on what they were providing, and assessing whether there were other ways they could improve outcomes for service users. In WtW, both providers and service users stressed that a key strength of the intervention was its flexibility and in particular that it allowed Link Workers to tailor the intervention to the needs of individuals.

In some cases stakeholders specifically mentioned the capital provided by investors as an enabler of this delivery flexibility. For example in one project providers said that the upfront capital from the investors to set up and implement the project gave them space to test different ways of working, for example by trialling various activities with participants

Independent evaluations also show strong evidence of this effect. The evaluation of the SIB Trailblazers in Health and Social Care noted that, "*Typically, the planning of the SIB services and subsequent oversight were better resourced and the services more flexibly provided than similar non-SIB services*" and that, "*….the SIB financing mechanism enabled greater flexibility in terms of both overall management approaches and also in service delivery by allowing, for example, spot-purchasing of items for beneficiaries (e.g. tablets, mobile phones, or public transport travel cards) and individualisation of services by providers in response to client needs, in ways that might have been impossible or less likely under more traditional approaches to service commissioning."* (Fraser, et al., 2018, p. 1)

Williams notes that, *"One of the most commonly cited benefits from a provider perspective is not necessarily the additional funds, but rather the flexibility of these contracts."* (Williams, 2019, p. 57) He quotes one respondent as saying, *"Most of my work is all contracts. So it's local authority contracts…which are stifling, limiting, preconditioned, determined. There's a path you will travel and you shall not veer from this path and you will achieve x, y, and z. In contrast, SIBs allow providers to make choices without limitation, without question, about how we staff and deliver and how we get to where we want to get to. So I have a pot of money and…I can choose what the hell I like to do with that money as long as I achieve that outcome."* (Ibid, p. 57.)

The YEF Evaluation notes that most, but not all, the stakeholders were of the view that the quicker and more innovative adaptation of the service brought about by the SIB was having a positive effect on service provision. However, in one SIB the practitioners strongly disliked this element; they found it challenging and stressful to have to, in their view, constantly come up with new ideas and change what they were doing before they had managed to embed the previous approach. (Ronicle & Smith, 2020).

However, this delivery flexibility was not a universal feature across CBO. Some projects used a high fidelity intervention which, by definition, limits the scope for change from the intervention's stipulated structure

[66] It is worth noting that although having wide currency in PbR and SIBs, the term 'black box' is somewhat misleading since it implies that the process of designing and flexing the delivery model is opaque, and hidden from the commissioner. In fact the opposite is the case – most change is openly discussed and agreed, One key stakeholder has suggested to us that the 'transparent box effect' would be a more accurate term.

and process. MHEP is an example of this, since it deploys the recognised high fidelity and accredited intervention known as Individual Placement and Support (IPS).

4.2.3.2 Ability to change contract terms

There was also a second level of flexibility which we observed in the mid-point and final reviews and cited by stakeholders as a benefit of the SIB approach. This is in the ability to make further changes to the contract structure and in particular to the outcome metrics and associated payment structure. This results from internal project learning, reflection and analysis, and sometimes, but not always, follows a shortfall in performance (at either the referral or outcomes level) as noted above.

Stakeholders argued that this type of flexibility was a clear benefit of the SIB mechanism and the way that it enabled and alignment of the interests of all three key parties (commissioner, provider and investor) so that they were incentivised to find solutions to issues when they arose (a feature which we have previously noted as the "win, win, win" of SIBs). In other words, collaboration between parties appears to lead to a greater readiness to change contract terms where needed.

However we would note that not all stakeholders agreed that the ability to amend contract terms was necessarily beneficial, since the need to resolve issues can also lead to tension between stakeholders (see section 4.3.1), and can change the balance of risks between parties (see section 4.3.2). Furthermore where such change in the balance of risk occurred it appeared nearly always to favour investors at the expense of either commissioners or providers, or both: there were no examples in the mid-point or final reviews of investors showing similar levels of flexibility to that shown by providers or, usually, commissioners. Because this SIB 'benefit' also has disbenefits, we have not included it in the summary table of benefits ((Table 4.6), as we think this would be misleading.

There is also an element of circularity in this argument – the SIB mechanism is flexible, but sometimes it needs to be in order to adapt to challenges that are generated by the SIB mechanism design itself - typically a misalignment of risk or optimism bias in the business case, as we discuss in section 5.3 below. To paraphrase, if the contract were not a SIB, the contractual flexibility that a SIB allows would not always be needed.

Examples of this type of contract change, which clearly had benefits but also some downsides, include the following:

- WLZ changed the original payment mechanism which was based on a complex measurement of incremental progress (against a blend of school attendance, attainment and emotional wellbeing). The payment structure was changed to a simpler rate card which measured attendance, attainment and wellbeing in a more easily measurable and understandable way against seven straightforward metrics. This was not in the main a response to performance issues; it partly reflected changes to the intervention, and partly that stakeholders needed a structure that was simpler and would more easily support engaging new local authorities and schools. It is however worth adding that the complexity of the original payment mechanism was arguably a function of this being a SIB and there would not have been a need for such complex arrangements to be simplified if it had been a simpler contract structure such as fee-for-service in the first place.
- In MHEP, the original contracts all included either engagement payments or block payments as well as outcome payments (related to finding and maintaining employment for service users). However, in all three of the projects in the in-depth review stakeholders renegotiated the contracts to introduce or continue with block payments. This again reflected underperformance, and a view that

the original payment structures did not give providers enough initial/early funding to work with a challenging cohort.

- In WtW, the SPV sought to make changes to both the outcome metrics which drive payments, in one case by asking The National Lottery Community Fund as payer for the outcome to reprofile payments so they were made sooner; and in the other by asking the CCG to consider changes to the metric and the payment attached to it. This was a response to the issues already noted above – a shortfall in forecast referrals and data (later proved erroneous) which appeared to show that performance was variable against outcome targets relating to the cost of hospital treatment. In the first case changes were agreed; in the second the CCG was resistant and requested that the WtW SIB should continue to operate on the agreed terms.

It is notable that one response to underperformance has been to request a reprofiling or restructuring of payments so that the commissioners (including The National Lottery Community Fund via the CBO) effectively pay for some of the service (or more of the service than first envisaged) without achievement of an outcome. This shifts the balance of risk towards commissioners and should in our view be seen as a downside to the upside flexibility of SIBs, as discussed further in section 4.3.3.

Such contractual changes have been a feature of nearly all projects that have been co-commissioned by CBO, at least insofar as the CBO programme's own contribution to payments is concerned. According to The National Lottery Community Fund, there have been requests to change the terms on which co-payments are made (prior to the impact of Covid-19, which has understandably prompted further changes) in a further five projects in addition to those that have occurred in in-depth review projects as described above.

There is less evidence for this second, contractual level of flexibility being prevalent in non-CBO SIBs, possibly because many other evaluations of SIBs, unlike CBO's, have not yet reviewed the progress of contracts over time, or have been of central government-funded SIBs where such flexibility appears less likely to be a feature. Of particular note among the latter is the YEF. Here, the evaluation reported strong criticism from stakeholders involved in project delivery in relation to limited contract flexibility (Ronicle & Smith, 2020). The main commissioner and funder of the YEF SIBs (the Department for Work and Pensions (DWP)) only allowed limited flexibility in or changes to contract terms after the projects started and stakeholders started to learn from experience on the ground. The evaluation notes that, *"The area that was raised most frequently by stakeholders in relation to the management of the programme was the level of flexibility. Projects strongly disliked DWP's stance on contract variations. DWP reported that there could only be limited variations within the projects [because] they were constrained by public sector commercial procurement rules and regulations around variations within contracts [and] that any large changes beyond the service provider's original proposals would hold DWP open to legal challenge from other organisations that bid for the programme but were unsuccessful"* (Ronicle & Smith, 2020, p. 47). In DWP's view, the different stakeholders involved would have needed to come to an agreement on the types and extent of flexibility they would want for the SIB contracts at the outset. However, the evaluation makes clear *that, "the limited flexibility was in relation to macro-level changes to project design and outcomes projections – there was scope to change more micro-level elements of the project" (ibid, p.48).*

In our view the structural and contractual changes discussed above are a direct result of "the SIB effect" since they are instigated by the parties to the contract and, are often driven by investors or their representatives. They are in part a response to contract performance not turning out as expected but are also a result of commissioners' perceptions of risk around sunk costs and public scrutiny of success, driving the willingness of all parties to learn from experience and work together to resolve risk management issues affecting chances of achieving impact, such as cash-flow concerns. They are also a result of flexible contract design (especially in contrast between local commissioners and providers or investors if they are managing delivery) which enables such changes to take place – although as noted above the YEF contracts lacked such flexibility, and DWP did not think they could allow changes later.

The 'black box' flexibility of delivery and intervention that we discuss earlier in this section, on the other hand, is not strictly speaking a result of the 'SIB effect' in its narrowest sense since it can be observed in outcomes-based contracts which are not SIBs – notably PbR contracts, but since SIBs are a form of PbR arrangement, it is an effect within the SIB purview; It emerged as a factor in most of the mid-point reviews and was often cited by stakeholders in these contracts.

4.2.4 Outcomes focus among providers

There continued to be some evidence of an effect seen in our previous update reports, namely the embedding of an outcomes-focused culture among providers. This is something distinct from and additional to the effect of an outcomes contract on performance and its scrutiny as outlined above, because it is about behaviour change among providers rather than additional performance management funded by the investors. Specifically a key finding in one project was that, although payments to delivery providers were not dependent on achieving the outcomes (they were paid a fixed monthly fee), the overarching SIB approach inspired some behaviour change among the providers, and they were thinking increasingly about outcomes, and how to best measure them, in their wider (non-SIB) work. A manager from one service provider described how they were measuring outcomes in some of their other contracts, so that they were able to evidence the impact that they mad. Being able to demonstrate this impact had then helped them to strengthen their bids for other contracts.

The mid-point review of MHEP also found that working within outcomes-based contracts had a similar effect, with one provider identifying that it had been a motivating factor that drove whole team performance. They said that it could "*feel daunting*" but created a team spirit and work ethic. All providers reported that outcomes and payments linked to outcomes had made a difference to their approach.

Again this effect has been noted in other evaluations. The YEF Evaluation found that "*This was one of the strongest and most consistently-reported SIB effects, existing in all four SIBs. The requirement to evidence outcomes, combined with the additional focus on these outcomes from the regular investor meetings, resulted in the service providers having a much stronger focus on achieving the primary outcomes. …. The stronger focus on primary outcomes was widely regarded by all stakeholders to be positive overall. Some service providers said that they preferred SIBs to grants because they focused everyone's attention more on the outcomes.*" (Ronicle & Smith, 2020, p. 60) The local evaluation of a CBO project similarly found that "*there was a level of rigour and collaboration in the development process between the stakeholders, which was not typical in other types of contracting, including traditional PbR with a commissioner and service provider. This attention to detail … focused the discussions around achieving the outcomes for families, whilst also allowing flexibility in the details of operations.*"

4.2.5 SIBs lead to greater social impact

The final claimed benefit of SIBs is that they achieve greater social impact than similar conventional contracts – i.e. there are more outcomes and greater social impact than in such contracts. This is purportedly due to all the factors described above – and especially the effect of stronger and 'better' performance management. Stakeholders agree that performance needs to be as good or better than conventional contracts since SIBs and similar contracts tend to cost more.

In strict impact evaluation terms, it is impossible to conclude absolutely that SIBs perform better than equivalent conventional contracts, because there has to-date (spring 2021) been no attempt to make a head-to-head comparison of the impact of a SIB (or for that matter a PbR contract) against an equivalent conventional fee for service contract or grant-funded project – i.e. one where the intervention, cohort characteristics and delivery infrastructure are identical, or as close to each other as possible. This is a point made in other literature, such as the evaluations of the Peterborough Prison SIB, Health Trailblazers and the Youth Engagement Fund. In relation to whether the SIBs led to more outcomes being achieved, the latter report notes that, *"This is a very difficult effect to examine, particularly without the ability to know what outcomes would have been achieved if the service was commissioned via a different mechanism"* (Ronicle & Smith, 2020, p. 69).

Moreover, the challenge of judging performance is compounded by a consistent degree of optimism bias in initial business case modelling and forecasting, as we discuss further in section 4.3.2. This means that even where stakeholders reported to us that projects were performing well, or were now doing so after performance issues had been addressed, they were not in all cases meeting their own forecast of outcomes set out in the original business cases – for example in MHEP the significant efforts to improve performance still left final outturn at around 50% of initial forecasts. This sometimes gives a false impression of performance – the project can be perceived as 'failing' to meet its own targets even though it may be delivering a level of performance that compares well with other, similar projects

However what is becoming clear from this evaluation, and from the mid-point reviews that we have so far conducted, is that there is no longer much room for doubt that the improved performance management, better data analysis and increased flexibility that SIBs allow, does enable performance to be better than it would otherwise have been. A clear example from the mid-point reviews is WtW, where analysis of data on referrals showed a shortfall, and the Board took action to incentivise providers further to increase referrals, including reviewing and then revising contracts to reward those able to increase referral rates. As a consequence of this action referrals did increase, and by extension outcomes almost certainly improved as well.

4.3 Disadvantages and challenges

Table 4.7 below summarises the disadvantages and challenges of the SIB mechanism that emerged from the mid-point and final reviews, and subsequent sections describe these in more detail. As with Table 4.6 above, the table applies a Red, Amber Green (RAG) rating to identify broadly how much the disadvantage or challenge was evident in each of the families of projects we reviewed, but note that the scale is reversed, with Green meaning that the disadvantage was not strongly evident and Red that it was very evident and had a significant adverse impact– see key for further details. Across both tables, therefore, Green is broadly indicative of a positive effect and Red of a negative one, with Amber being neutral.

Table 4.7 Disadvantages and challenges of a SIB approach emerging from mid-point reviews

Key to RAG rating.	Little or no evidence of the challenge from mid-point or final review – did not affect project significantly	Some evidence of challenge – e.g. mentioned by some stakeholders but did not appear to have much negative impact	Strong evidence of the challenge from mid-point or final review - e.g. strongly affected the operation of the project

Project / SIB Disadvantage	Ways to wellness	MHEP	West London Zone	Unpublished in-depth review	Unpublished in-depth review
Tension between stakeholders	Major disagreements but stakeholders worked through them	Tensions between intermediary and providers but relationships intact	No significant issues reported	No significant issues reported	Major tensions between provider, investor and commissioner – contract penalty clauses invoked
Optimistic or ambitious business cases	Ambitious referral forecast required corrective action but outcome performance positive	Consistent overestimation of performance across all business cases	SIB performing well against key assumptions	Assumptions incorrect on level of need/ complexity of need amongst the cohort	Business cases over-estimated both referral numbers and suitability for intervention
Risk sharing detrimental to providers	Mixed – two providers withdrew but others took on additional volume	Providers badly impacted by negative cashflow while investors fully reimbursed	Risk sharing not detrimental to prime service provider as project performing well. Sub-providers paid upfront and proposal to share outcome risk not implemented	Providers continued to be paid upfront throughout	Provider paid upfront but investor withheld payments when SIB under-performed
Risk sharing detrimental to commissioner	Proposed but resisted by commissioner	All contracts renegotiated to require different outcomes payment by commissioners	Payment mechanism changed but no detriment to commissioner	Contract renegotiated to require more payment per outcome	Contract renegotiated to include significant engagement payments
Commissioner engagement challenges - Staff turnover	Not a significant factor	All commissioner staff changed between baseline and mid-point reviews	Acknowledged as an issue by stakeholders but did not affect SIB due to strong relationships elsewhere	Not a significant factor	Major impact with commissioning staff changing several times
Commissioner engagement challenges – structural change or expansion	Merger of original commissioner with other CCGs caused some (but minor) disruption	Expansion to new commissioners caused some loss of focus	Several changes to commissioners throughout project	Not a significant factor	Significant impact with contracts ending

Source: Information from in-depth reviews. Ratings based on information, views and experiences of stakeholders interviewed. In-depth reviews include interviews with a sample of stakeholders, and so other views and experiences could exist.

4.3.1 Underperformance creates tension between stakeholders

The flipside of the greater attention paid to performance in SIBs was that this could sometimes lead to tension between stakeholders, as disagreements emerged about the reasons for underperformance and the action that should be taken to improve it. This was a factor in two of the five mid-point reviews. In WtW, it was apparent that the need to resolve performance issues – both real and perceived – as described above affected relationships within and between the key parties to the project, with some disagreements about whether and how to take action. There was some loss of trust between the stakeholders involved in the project, and there were also disagreements about whether there should be management changes within WtW. In addition some providers withdrew from the project because they were uncomfortable with revised contracts, designed to incentivise a higher volume of referrals and address one of the key performance variations. It should be added that all parties made great efforts to resolve the issues collaboratively and that ultimately solutions were found to the issues raised – at the mid-point review the project remained intact and appeared to be performing well. However it was clear that not everyone found the process of close performance management comfortable. To quote one stakeholder: "*There was a lot of assumption that everything would go well and everyone's interests will be aligned…when the wheels fall off, there are differences in priorities and these differences have come to the fore in a way".*

In another project there were also disagreements between the provider and the investor / investment fund manager (IFM), and ultimately with the commissioners, after it became apparent that the forecasts of referrals were optimistic and therefore outcomes achieved were falling well below expectations.

Other SIB evaluations highlight similar issues. The YEF Evaluation found that not all the projects, or all the practitioners delivering services, found the challenge to improve and maintain performance comfortable. In one SIB the practitioners found it challenging and stressful (Ronicle & Smith, 2020, p. 64). In this project, the practitioners felt that the investor influence over delivery decisions had displaced their own decision-making abilities, and in another SIB in YEF the service provider managers felt the investor was pushing them to undertake activities they did not agree with and felt were unrealistic. Thus, there were negative as well as positive effects.

Williams was more strident about the sometimes-negative impact of investor scrutiny and performance management (Williams, 2019, p. 54). He noted that, *"Another common concern voiced by providers involves post-deal execution and what they viewed as an overly intensive and at times aggressive form of oversight and performance*" and "*While some providers view this performance management as challenging, but ultimately of value allowing them to become more sharply focused on managing to outcomes, others found it to be overly intrusive and counter-productive."* (ibid, p. 55). Other evaluations have also found that SIB-level performance scrutiny can lead to an additional administrative burden that some find hard to manage. The YEF evaluation noted that…*"the evidence requirements, frequent reporting to both investors and DWP, and regular investor meetings …also had the negative effect of creating additional management time and cost demands. This was the most consistently reported negative effect of the SIB, and was evident in three of the SIBs. In one SIB the service provider CEO …..reported that the management time was five times greater than comparable programmes commissioned through more traditional grants or contracts"* (Ronicle & Smith, 2020, p. 57). In similar vein, Williams noted that the *"constant pressure on providers to do better, do better, do better"* created not only stress and strain but significant demands on senior management, "*The expectations of management time…were too great. So our contract was worth about £1.5 million a year to run those services but we were applying a level of management that would be consistent with a £10 million contract."* (Williams, 2019, p. 56)

What is less clear is whether the tensions and issues caused by underperformance could or necessarily should be avoided, or should be accepted as the natural way of things if we are to welcome the increased attention to performance that we have already highlighted as a clear benefit – and arguably the greatest single benefit – of outcomes-based contracts.

What is less clear is whether these issues could or necessarily should be avoided, or should be accepted as the natural way of things if we are to welcome the increased attention to performance that we have already highlighted as a clear benefit – and arguably the greatest single benefit – of outcomes-based contracts. Some stakeholders have suggested that a more 'relational' and trust-based approach would have achieved the same or similar results and there is a wider debate about whether trust and collaboration drive better performance than outcomes pressure (see for example (Blundell, et al., 2019)). However, as already noted above the view of many stakeholders across all the projects we have reviewed is that performance is better when it is closely managed and the pressure to achieve outcomes is driving it. In our opinion, it is hard to reconcile these views with a counter opinion that performance would be equally good if this pressure and close scrutiny were absent. In addition the extra scrutiny from investors is arguably an inevitable result of investors being asked to take much of, and in some cases all, the risk of outcomes being achieved, often in policy areas where outcomes are known to be challenging.

4.3.2 Business cases overestimate performance

We noted in our second Update Report that supposedly robust business cases for SIBs often proved unreliable, and our mid-point reviews confirmed this. In nearly all cases the initial forecasts made about key drivers of performance – notably the number of referrals that would be made, and the number of positive outcomes achieved – were optimistic, and therefore overestimated the project's potential social impact. This happens in many projects, including those funded by conventional contracts or grants. However, it matters much more in outcomes-based contracts for the obvious reason that the viability of the project depends on a minimum number of outcomes – often termed the base case – being achieved, and if this level is not achieved the financial risk may be too high for both investors and, in many cases, providers. This may mean that the project has to close down (as was the case in MHEP Staffordshire) or at best be scaled back considerably, simply because it is failing to meet forecasts of performance that were essential to the viability of the business case for the SIB, but would not have been so ambitious – or likely not have existed at all – if it were a conventional project.

It is of course a cliché that any business case is only as good as its underlying assumptions and the best available data and, will almost certainly not match reality. It is however noteworthy that with only one exception the business cases and forecasting/modelling underpinning the SIBs we have reviewed post-implementation erred in one or more ways, on the over-optimistic upside. In two families of projects referrals were lower than forecast, leading in both cases to some pressure on the providers to identify more referrals and in one case to the invoking of minimum referral terms in the contract. In two other families of projects, the number of referrals and positive outcomes that would be achieved appeared to have been overestimated, leading to changes in both operations and in the payment structures, with different payments attached to outcomes. or the outcomes themselves being changed.

Based on our discussions with stakeholders this optimism bias appears in the main to be due to a natural tendency (especially among providers but also among some consultants and intermediaries) to over-estimate what can realistically be achieved. In some projects where the provider drove the SIB design this led directly to optimism bias in the business case; where development was led by others such as intermediaries there was still evidence that providers may overestimate their capabilities or capacity and this fed through into the business case. For example, one stakeholder in a project commented that providers bidding to deliver the intervention had overstated their capabilities (such as how many volunteers they had). This meant that the project was built on assumptions that led to *"over-estimation, rather than underperformance."* We would note that this optimism bias is thought to be widespread, and common to projects of all types. Indeed, the Treasury has issued supplementary guidance to its 'Green Book' on how to construct a project business case, which specifically addresses the issue of optimism bias. This states that, *"There is a demonstrated, systematic tendency for project appraisers to be overly optimistic. To redress this tendency appraisers should make explicit, empirically based adjustments to the estimates of a project's costs, benefits, and duration."*[67]

In our experience outside of the evaluation there may also be a similar tendency towards optimism bias – and especially to over-estimate referrals or outcomes (or both) – in order to make the business case viable. Since in some cases the SIB is justified by the savings or other financial benefits it will generate, there is likely to be a tendency to make optimistic assumptions if these are needed to make the 'payback' to commissioners and others equal to or greater than the cost of the intervention and other costs. This is particularly the case in intermediary- or provider-led SIBs, where the SIB has to be 'sold' to a commissioner, and so there is an in-built incentive to over-state the potential achievements. This factor is much more specific to SIBs and similar projects, although it is likely to be less pronounced if the project does not have to be self–funding or justified through savings achieved by the SIB, for example if existing budget is being redeployed to fund outcomes instead.

From this evidence of consistent optimism bias it seems reasonable to conclude that commissioners and others developing SIBs should de-risk their business cases by making more conservative assumptions where appropriate – especially about likely volume of referrals and the impact of the intervention. They should also resist changing the assumptions in ways that later lead to inflated expectations against which there will almost inevitably be underperformance. In particular, we would note that the response of all the projects to performance issues has been to change the outcomes and payment structure in order to either make the outcomes more achievable, pay more for an outcome, and/or to switch a proportion of payments from outcomes to inputs and activities (see Section 4.2.3.2 on more detail on changing contract terms). It would therefore seem sensible to consider these options during development rather than revise the project later, and especially, to be more realistic about the balance of guaranteed up-front finance and likelihood of later outcome payments needed to make the project viable.

[67] See https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/191507/Optimism_bias.pdf

4.3.3. Adverse implications of risk-bearing by contract parties

As already discussed in chapter 2, the way risk is borne by contract parties in SIBs varies. Under the 'textbook' SIB model all financial risk is borne by the investor(s); providers are paid a fixed fee as if it were a conventional contract or a grant-funded project; and commissioners are only liable to pay for the outcomes once achieved (rather than undertaking to pay for the service largely irrespective of performance).

In practice, however, as reported in Chapter 2, risk is sometimes shared so that providers are at some risk, with at least some of the payment they receive from the investor being linked to outcomes, or, paid on the basis of a variable fee for input or activities, such as referrals or other KPIs achieved. Their funding is thus wholly or partly at risk if they do not achieve these requirements. Providers can also bear a degree of risk if the working capital provided to them by investors proves to be less than needed, which means that they have to cover a shortfall that they did not expect – and one that the SIB mechanism was expressly designed to avoid. From the commissioners' risk-bearing standpoint, payment structures sometimes see them making payments for service user engagement or assessment, so that the commissioners are also bearing risk, and effectively committed to make a proportion of payments irrespective of outcome achievement.

What has happened in the families of projects that we have visited at the mid-point is that the way risk was shared either had implications for providers that they did not anticipate, or increased the balance of risk borne by commissioners. We explore both of these aspects further below.

4.3.1.1 Implications for providers

As examined in chapter 2 providers have been bearing a degree of financial risk in a number of the in-depth review families of projects, and this was true of three of the five families of projects that we reviewed at the mid-point, including MHEP and WtW.

While it was clear from our in-depth reviews that, although all these providers entered into contracts with their eyes open, it was apparent from the mid-point reviews that some providers had found agreed targets more challenging than anticipated. In MHEP this led to substantial changes to operational management and to contract renegotiation. In WtW it led to two of the four initially contacted providers withdrawing from their contracts, and the remaining providers taking on more referrals. It is clear that a number of providers across both projects found the experience uncomfortable.

It is also worth noting that as a prime provider, the WLZ SPV - which has to repay some payments if outcomes are significantly below those projected- had originally intended to gradually pass on outcomes risk to its partner providers, but instead chose to continue to contract partners on a fee-for-service basis, with specific monitoring requirements related to engagement and outcomes. Our review found that these sub-contracts were simpler and allowed space for good partnership relationships to develop - but all organisations were still required to collect and share data on outputs and outcomes, with WLZ able to withhold payment if this data was not provided.

There were also been risk-burden implications for providers even where there was no explicit sharing of risk in PbR terms, because as also highlighted in Chapter 2 the investment / investment fund manager had the right to withhold making funding available to providers if they were dissatisfied with performance, as happened in one of the projects. Moreover in this same project, three service providers were removed from the project due to under-performance.

4.3.1.2 Implications for commissioners

In all five of the projects that we visited at the mid-point there has been renegotiation of contracts to change (or attempt to change) the outcome metrics and payment structure, and in four out of five of the projects the effect of these changes was detrimental to the commissioner (or would have been if agreed to). In one of the projects, the effect of renegotiation was to introduce engagement or assessment fees – effectively as a proxy for an upfront or early lump sum payment - and thus move away from the principle of 100% payment on outcomes. In another family/project the principle of 100% payment on outcomes was maintained; but the payment per outcome was renegotiated, and increased to compensate for outcomes achieved being lower than expected. In WtW, the SPV requested a shift to engagement payments in response to apparent underperformance against a key outcome (see section 4.1.2 above for more details) but the CCG did not agree to it. In the other project, WLZ, the outcomes structure was simplified but the engagement fee proportion stayed broadly the same and relatively low (17%).

The effect of these changes has thus been in one case to transfer risk back to a commissioner who had previously engaged and contracted on the understanding that they would pay nothing unless outcomes were achieved, and in another to make larger upfront payments than originally contracted. In a third case payment wholly on outcomes was maintained, but commissioners were asked to pay more than originally promised. As we have noted above some argue that it is a strength of SIBs that their structures are sufficiently flexible, and relationships between parties are strong enough, to allow for such renegotiation. But it must be seen as a disadvantage of SIBs that commissioners are persuaded to enter into contracts on the promise of a degree of risk transference that does not always materialise, and that initial assumptions about how payment can be shared between outcomes and other triggers, or about the appropriate level of payment needed, are proving to be wrong in some cases.

Given the effect of such changes it is arguable that commissioners might not have been as willing as they appear to have been to agree to change contract terms if they had had more foresight, and that the resistant position taken by the WtW commissioner was the right one – i.e. that they should not change the contract since they had contracted to pay only for outcomes with the intervention supported by handing off risk to investors - and that was a key attraction of the SIB proposal for them which they wanted to enforce.

There is less evidence of such mid-contract changes in other evaluations, but as noted above the YEF Evaluation found that most providers would have liked to see more flexibility and willingness to renegotiate contracts (or flexibility of outcome measurement) from DWP as lead commissioner (Ronicle &

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Smith, 2020). Again it can be argued that DWP was right to resist change if the purpose of the contracts was to transfer risk to providers and investors, although it seems clear that the local providers would not agree. In this and other cases there are clearly arguments on both sides.

The key lesson of both these effects would seem to be that during SIB development there needs to be full understanding between all parties as to where risk lies; and, as already noted, a realistic and scenarios-tested assessment when the contract is being designed of what it is possible to achieve, especially on the part of providers and parties designing the SIB's modelling. If such understanding is lacking, the risk of under-performance and consequential changes after contract commencement, is likely to be much increased.

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4.3.4 Commissioner engagement challenges

In Chapter 3 we described how stakeholder engagement and gaining buy-in was a key challenge during the SIB development process, especially in commissioning bodies. Our mid-point reviews have shown that, in some cases, these challenges will recur for two separate but sometimes inter-related reasons:

- Due to staff turnover within organisations, when key parties move to new roles and there is a high degree of 'churn' within organisations; and
- Due to structural change within organisations, or changes to the commissioning bodies themselves.

In one project this churn created major challenges of continuity of understanding of the contract and its underlying assumptions (notably including a minimum contractual requirement to identify referrals). In t project the contract was rescinded after four changes of lead commissioner, none of whom had, in the opinion of the provider, engaged effectively with a complex contract.

Staff turnover also created challenges for MHEP, where at the time of the mid-point review none of the lead commissioners, across three projects, were the same as those in post at baseline review. In WLZ, despite efforts by the WLZ delivery team to work with the commissioners and build their engagement, stakeholders at the local authority reflected that turnover in staff since the contract was launched had limited how much they understood the rationale for the design and could proactively manage all of the elements of the complex contract. This does not appear to have adversely affected the contract because there was a high degree of trust in the WLZ team, but in other circumstances it could be detrimental to the effective delivery of the contract.

There was some evidence for the detrimental effect of such staff turnover from other projects and evaluations. For example, the evaluation of the Birmingham Step-Down Project noted the impact of social worker turnover, and that *"Changes of local authority social workers have been frequent (as they are nationally) during the programme, limiting the detailed knowledge of the young people. Foster carers, mentors and the young people reported that the involvement of the local authority social workers as well as with the young person in the regular Step-Down meetings is sometimes inadequate."* (Sebba & Plafky, 2015, p. 3)

A second and further issue that arises in many of the in-depth review families of projects is changes in the structure or number of commissioners over time. In part this is the inevitable result of the structure of some of the projects, which are designed to enable further commissioners and contracts to be added, but there have also been instances where existing commissioners have restructured or merged, in ways that were not foreseen at the outset. The latter type of change tends to be more disruptive than the former, since projects that are structured to allow for incremental growth will obviously plan for that growth. However all such changes can have a disruptive effect, and can cause issues for some key stakeholders such as The National Lottery Community Fund in its role as funder of co-payments (and administrator of such payments). In addition there can be unexpected disruption to projects designed for growth when existing commissioners withdraw as new ones sign up, and there is inevitably an extra level of complexity when multiple contracts are being run and managed at the same time

Examples from the mid-point review projects include the following:

- The original commissioner of WtW (Newcastle West CCG) merged in 2017 with Newcastle East and Gateshead CCGs to form Newcastle Gateshead CCG. This led to questions about whether the project should continue (because Gateshead CCG was not as wedded to the SIB approach as Newcastle) and to a loosening of engagement with the commissioning organisation;

- The WLZ project expanded significantly in its first three years. At the start of the project, WLZ was commissioned by one local authority, operational in three schools, and sub-contracted 12 partners. At the time of the mid-point review WLZ was commissioned by *two* local authorities, the service was operational in *21* schools, and they commissioned 32 partners and linked with a similar number. Practically speaking, WLZ needed to adapt their initial model shortly into delivery to be consistent across a range of settings - learning quickly that variations in the Link Worker, communications in school, quality of the partner, and initial set-up would all affect the success in practice.

4.4 Evaluative insight: Progress of CBO projects part-way through delivery

In our view two tentative conclusions can be drawn from the mid-point reviews and other CBO projects, and are largely reinforced by other SIB literature. These are that:

- SIB projects appear on the whole to be more closely and intensively managed than is the norm for similar interventions funded and commissioned through other mechanisms, and the SIB mechanism leads wholly or partly to them performing better as a result; and
- Projects appear to be inherently flexible and capable of being more easily adapted in the light of 'real-time' learning, both because contracting for outcomes rather than outputs or activities allows interventions and other aspects of delivery to be flexed more easily; and because collaboration between parties sometimes leads to a greater readiness to change contract terms where needed.

These two aspects of SIBs are largely complementary, since the tendency of projects to perform better is a function both of the way they are managed and of the ability to change things if they are not performing as expected. Indeed it is the flexibility of SIBs, and the availability of capital which supports that flexibility, that is cited by some as the single biggest advantage of them over other contracting approaches.

These major advantages have spillover effects, which are starting to have wider implications beyond the SIBs themselves. The first appears to be better data, and better data management systems; the second is a continuing trend for providers to adapt culturally, and get used to being judged on outcomes rather than activities and outputs, which some – but not all – view as an important end in itself.

However our reviews and other literature also show that these benefits are by no means unalloyed. Firstly, it appears that some of the CBO in-depth review families of projects have not performed as expected because the expectations of them were over-optimistic – which in turn meant that there was more pressure to increase performance to what was forecast, or to change contract terms to match a more realistic expectation of what was possible and affordable for all parties. While only five projects were at the mid-point for this report, there is already a body of evidence that suggests that all parties to the development of outcomes contracts may need to be more cautious in their business case assumptions or when bidding as service providers. In particular they should avoid optimism bias around key variables, including how many service users can be referred to a programme, can complete it successfully, and can ultimately achieve the outcomes specified.

In addition, there was clear evidence that some providers were uncomfortable with the degree of scrutiny they received, usually from those who had most to lose financially if contracts failed to deliver at least 'base case' outcomes, namely investors or intermediaries acting as their representatives. This led in some cases to relationships becoming more oppositional than the parties might have expected, or, been led to expect. However, since a sizeable majority of stakeholders argued that better performance management was a strong plus of SIBs, we think it is hard to argue that we can have the gain of better performance (and more outcomes) without at least some of the pain of enhanced and sometimes uncomfortable scrutiny. Some might argue that performance management of conventional contracts and grant-funded projects needs to be tougher, rather than management of SIB contracts needing to be weaker. But whatever the views of stakeholders in specific contracts, it seems clear that providers need to go into contracts with their eyes open – both because there are few SIBs where the detailed contractual terms mean that they are relieved of all financial risk; and because however they are paid for delivery, they will almost certainly be asked challenging questions if performance is at variance from what was forecast, and asked of them much more quickly and regularly than they may be used to.

Clearly there is a value judgement here, with commissioners and investors tending to think that this type of additional scrutiny is a price worth paying, and providers tending to think it is a step too far – especially if scrutiny moves from questioning and analysing to pointing fingers, and collaboration moves uncomfortably close to a traditional blame culture. However it is arguable that this may be a price worth paying to achieve the better outcomes that everyone welcomes. And it is also true that many providers have embraced and welcomed the extra scrutiny – and additional expertise – that delivery through a SIB brings – usually because of investor and specialist performance manager involvement.

Another major downside is that increased flexibility appears often to lead to changes in outcome and payment structures that have the effect of transferring financial risk back towards commissioners, who may have been attracted to these contracts in the first place because they took away such risk. Most appear to have accepted such changes because they still see other benefits in continuing the contracts, but they do undermine one of the key and most often mentioned rationales behind SIBs, that "the commissioner does not pay unless outcomes are achieved". In addition, and as noted above in relation to initial business case assumptions, we think it would be preferable to be more realistic about how much risk can be borne by respective stakeholders in the first instance, rather than have to revise contracts later.

There is also evidence from at least one of the reviews that providers can welcome the performance management and data analysis support they receive, especially when they are struggling to meet referral or outcome targets for which they are bearing financial risk; the irony is that this includes cases in which providers would not have needed such support if the SIB business case had been more accurate. As we note above, SIB designers appear sometimes to have a tendency to overestimate performance; and investors and intermediaries then bring in performance managers wielding both stick and carrot to help providers achieve targets that may not have been achievable from the outset. To an extent, therefore, the value of performance management can be self-fulfilling, with SIBs being paradoxically hailed for becoming efficient at resolving issues that they have themselves created.

Finally, for all the emphasis on SIBs improving performance and showing great flexibility, it remains very difficult to prove that they outperform conventional contracts, or even justify the additional hassle and costs compared to other commissioning approaches. This is for the simple reason that, with few exceptions, we do not know the counterfactual i.e. how a directly comparable conventional contract would have performed.

5. Conclusion

This section draws some overall conclusions, and considers in particular whether our evaluation of the CBO-funded SIBs indicates that they work.

5.1 Do SIBs work, and what does that mean?

The challenge for evaluators of SIBs, almost since their inception, has been to answer this obvious but difficult question: Do they work? Part of the answer has been that it is too early to tell, and in our view it still is. If that seems surprising when SIBs are now entering their second decade in the UK, we would note that our previous reports have observed that they were slow to take off, and locally commissioned SIBs did not become a feature until the CBO and SOF Outcomes Funds, were launched in 2013 – with the earliest local SIBs, such as WtW, starting in 2014-15. Full and independent impact evaluations of even these early SIBs remain thin on the ground, and even if they were more widely available they would not answer the question as some want it answered – namely do SIBs deliver more or better impact than conventional approaches? We return to this question later.

5.1.1 Do they work for stakeholders?

The difficulty of testing SIBs' utility without an alternative commissioning mechanism comparator being made available to the evaluation is partly why we have previously attempted to address this 'do they work' question in another way, and asked: Do SIBs work for their key stakeholders, and are they a success for the commissioners, providers and investors who put much time and effort into trying to make them work? In our previous update reports on the CBO Evaluation, in 2016 and 2019, our conclusion was a cautious yes. In our First Update Report, we identified that SIBs had been seen as a 'win, win, win' for all three parties, because the focus on outcomes meant that they were all in it together, and had an aligned interest in making the contract work, to an extent that most stakeholders thought was missing from conventional contracts.

In our Second Update Report we broadly held to this view, but added some caveats. In particular, we argued that SIBs were less of a win for commissioners than they were for providers and investors, because commissioners ultimately had to pay for the outcomes achieved, and could not be free of reputational risk (or ultimately delivery responsibility) if the SIB did not succeed. In this report we think we should modify our view of whether SIBs work for their main stakeholders somewhat further, since they can be only a partial win not only for commissioners, but also providers. Again, we return to this stakeholder impact lens approach to evaluating whether a SIB works later below.

5.1.2 Do they deliver against their original concept?

In this Third Update report, with the benefit of more in-depth reviews of the CBO-funded SIBs, including some mid-point reviews, and evidence from wider literature, we have considered whether SIBs work in further ways. First, do they work as originally intended by their advocates and champions? Out conclusion is that in most cases they do not, for the very good reason that adherence to the 'textbook' model of a SIB as first conceived – and adhered to only in the very earliest SIBs – is not possible in most cases. Nearly always, there has to be a trade-off between strict adherence to 100% linkage of payment to outcome, rigorous outcomes measurement, the transfer of risk to investors, and payback to commissioners by way of future 'savings' from a preventative intervention. As we noted in chapter 2, many feasibility studies have gone looking for the SIB 'sweet spot' and failed. In practice this has meant that SIBs have either been abandoned before they have launched; or, in most cases, have diverged from that textbook model in order to find a solution that works for all the parties.

The most obvious, and important area of divergence from the 'textbook' SIB is that financial risk is rarely borne wholly or solely by investors (as was suggested in the earliest days of SIBs). Instead it is usually shared, either through a payment mechanism that requires payment from commissioners whether or not outcomes are achieved; and/or through contracts with providers that expose them to some and sometimes all of the risk of outcomes achievement. This does not mean that a risk *sharing* contract cannot work for all three parties; frequently, this movement away from the pure allocation of risk to investors is requested by other stakeholders, notably *providers* who wish to share upside reward as well as downside risk. Such risk sharing is also the result of reasoned and pragmatic analysis of how much risk can sensibly be taken by each party – sometimes when the contract is first designed, and often, as we observed in chapter 4, when contracts are renegotiated after start – usually with the effect that *commissioners* are asked to share more risk than they had expected or been promised.

5.1.3 Are SIBs value for money?

A second additional way of looking at whether SIBs work is whether they work well enough, or, are sufficiently value-adding to justify the additional time and cost of developing, implementing and managing them. As we noted in chapter 3, the evidence on these points has not significantly changed since our First Update Report: SIBs take a long time to develop, involve many stakeholders, and are complex to design. Partly because of this, we have sometimes found it hard to identify the underlying logic for pursuing a SIB over alternatives, beyond the availability of money to develop a SIB (through the CBO development grant), and a strategic interest in pursuing an innovative form of financing. Investors and investment intermediaries have also been strongly motivated to promote and encourage SIBs, and subsequently make them succeed, in order to put social finance to work.

On this definition of whether SIBs 'work', there are still questions as to the sustainability of the model without top-up funding. As we note in Chapter 3, top-up funding has been a strong catalyst for most if not all of the CBO projects, and the interim evaluation of the LCF includes similar findings. There is thus a growing evidence base that top-up funds are relied on to ensure the financial viability of SIBs, and a broader question of whether SIBs are viable for local commissioners without such funding.

Is this additional funding justified? For CBO, it remains too early to say. Only one set of CBO projects featuring as one of our in-depth review subjects has been visited at its end (MHEP), and it will require further completed projects, where one can assess the outcomes achieved and costs, before making this assessment.

5.1.4 Do they meet forecasts of success?

A final away of looking at whether a SIB works is whether it achieves what was forecast. As we highlighted in chapter 4, on this measure the findings are mixed. However, this is NOT because they are performing worse than similar projects, but because they are failing to meet ambitious targets, notably for potential referrals, or outcomes that can be achieved. It seems clear that projects would be more successful (and would require both less intensive performance management, and fewer contract renegotiations) if they heeded Treasury 'Green Book' guidance to avoid endemic optimism bias, and de-risked the underlying SIB business case. They would also avoid creating a potential performance-mitigation circle that appears virtuous but is in fact vicious – where providers welcome the support they receive to help them address performance issues, but would not have faced such issues if the performance bar not been set too high in the first place.

It seems clear that projects would be more successful (and would require both less intensive performance management, and fewer contract renegotiations) if they heeded Treasury 'Green Book' guidance to avoid endemic optimism bias.

5.2 Conclusions

Overall, we have three broad conclusions. The first is that the 'win, win, win' of SIBs is rarely a certain win for any of the key parties – even if the investor, fund manager and/or intermediary are able to generate the returns they are expecting, they will have had to have worked very hard to achieve returns that, reflecting the social nature of these contracts, are frequently modest. In addition, some investors have lost money on particular projects, albeit rarely. Commissioners often find that the promise of zero risk to them in contracting for outcomes (always somewhat illusory) is further eroded by the need for at least some payment to be on inputs or activities such as engagement. And many providers who would rather be shielded completely from financial risk find themselves exposed, either because they too are paid by the outcome, or are paid for inputs and activities that can be challenging to achieve, rather than a simple fee for service as some argue should be the norm in all SIBs.

There is a growing evidence base that top-up funds are relied on to ensure the financial viability of SIBs, and a broader question of whether SIBs are viable for local commissioners without such funding

Our second conclusion returns to the question of whether SIBs deliver more or better impact than conventional approaches. Stakeholders in the SIBs we have reviewed are of the view that they achieve more outcomes, and greater social impact because of the stronger performance management that is built into the SIB mechanism, and the impetus provided by linking payment to outcomes. It is arguable that better and stronger performance management could be funded and built into any contract, but the evidence from parties involved in the SIBs we have reviewed suggests that it tends not to be. Funded performance management is seen as unnecessary in most fee for service contracts, which rely on goodwill and, ultimately, contractual liabilities. Performance management is a feature of SIBs largely because investors and fund managers (who have a duty to protect their investors' interests) have a strong vested interest in outcome achievement. As we note in this report, providers often share this interest, directly or indirectly, while commissioners want the project to succeed for social, financial, operational or reputational reasons, and may be contractually committed to deliver a minimum number of referrals – another feature unlikely to be found in a conventional contract.

It remains, however, challenging to prove objectively that a SIB works better than a conventional contract, (and justifies the additional cost, time and complexity of its development), because we cannot compare a SIB contract head-to-head with a conventional contract that addresses a similar cohort, using the same intervention in the same wider economic and social circumstances. Without such a rigorous measure of the counterfactual to the SIB mechanism itself, it will always be difficult to prove what many attest – that SIBs improve outcome performance significantly. The Brookings Institution came to a similar conclusion:

> *"After an examination of a decade's worth of impact bond projects across the globe, the short answer to the question of this brief—"do the benefits of impact bonds outweigh the costs?"—is that there is no rigorous evidence thus far to answer this question. This gap in evidence is due to the lack of both publicly available data on costs, and rigorous analyses of benefits relative to alternative financing mechanisms, thereby preventing a comparison of the two. Notably, comparative data also remain sparse on costs and benefits for other forms of RBF, which have a much longer history, as well as for examinations of more traditional forms of financing. Until cost data is more widely and transparently available from impact bond stakeholders, and investments are made in rigorous evaluations of the mechanism, this question will remain difficult to answer.*
>
> *We conclude that further research is necessary, and that this research should be much more nuanced than has been seen in mainstream discourse on the topic to date. It should carefully consider the full slate of both costs and benefits of impact bonds, as outlined in this brief, and compare these to alternative forms of financing."* (Gustafsson-Wright & Osborne, 2020)

The third conclusion is highlighted by our analysis of both how SIBs stack up against the original concept' and compare to the GO Lab 'dimensions'; and of what motivates commissioners and others to pursue them. Our conclusion is, that there is a case for a fresh debate about what a SIB is meant to be for, before we can properly determine whether they are succeeding. As we noted in Chapter 2 there are important and as yet unanswered questions about the core purpose of SIBs. Should the SIB mechanism be used to replicate successful models, and scale up interventions that have themselves been demonstrated to work? Or should it be used to trial innovative or experimental provision? Or is it enough that SIBs and outcomes-based contracts finance the performance management and the flexibility to adjust to learning - to deliver as much impact as all the parties could reasonably expect, without any of them facing undue and unexpected levels of risk? If so questions remain about how the financial arrangement and allocation of roles and risk-sharing should be structured.

5.3 Recommendations

For all stakeholders

1. Create a clearer narrative on what a SIB is, and what it is for: As outlined in Chapter 2, the SIBs that feature as CBO in-depth reviews are measurably different to how SIBs were originally conceived and described. There is significant nuance to the original SIB concept of payment fully contingent on outcomes measured through rigorous methods and paid for through cashable savings, and private investors taking on the financial risk. But we still see these concepts being used to describe SIBs in some situations. We think it is time to hit 'refresh' on the SIB concept and update the SIB promises – or simply to go back to the drawing board. We think stakeholders should re-convene to re-consider the SIB 'promises' so there is a clearer and more transparent understanding as to what the model is, and when and why it should be applied.
2. Provide more clarity and openness on the different SIB designs, and why one should be adopted over another: As outlined in Chapter 2, we often come across commissioners and service providers involved in SIBs who think there is mainly only one way of designing a SIB (– i.e. the way theirs is designed –) and they can be surprised to hear that other SIBs are designed in different ways. This means stakeholders are not always making informed decisions about how to align the SIB 'shape' with their priorities. There needs to be more transparency about the different 'shapes' in which SIBs have formed and why, to aid more informed decision-making.
3. When designing outcomes-based projects, test the modelling to iron out optimism bias: As described in Chapter 4, it appears that some of the CBO in-depth review families of projects are not performing as expected because the expectations of them were over-optimistic – which in turn means that there is more pressure to increase performance to what was forecast, or to change contract terms to match a more realistic expectation of what is possible and affordable for all parties. While we have so far only reviewed five projects at the mid-point, there is already a body of evidence that suggests that all parties to the development of outcomes contracts need to be more cautious in their business case assumptions or when bidding to be service providers. In particular, they should all avoid optimism bias around key variables, including how many service users can be referred to a programme, can complete it successfully, and can ultimately achieve the outcomes specified.

For The National Lottery Community Fund:

4. Run programmes with different funding approaches within them, to increase understanding around which funding approach works best for VCSEs and social outcomes: As described in this Conclusion, all impact bond evaluations, including this one, have struggled to answer the main question, 'Do SIBs work?' because impact bond programmes are not designed to enable this question to be answered robustly. For this question to be answered in a thorough way, we recommend The National Lottery Community Fund funds a programme which includes multiple projects tackling the same issue measured in the same way but funded through different contract mechanisms (i.e. impact bond, PbR, fee-for-service etc.). This would produce the conditions that would allow the effectiveness of these different contracting mechanisms to be measured in an accurate way. This would help The National Lottery Community Fund and other stakeholders fully understand the best approach to funding VCSEs that works for both them and the people they support. This would most likely require Recommendations 1 and 2 listed above to be achieved first.

5.4 Areas for further research

In Chapter 2 this report provided a set of SIB 'shapes', and Chapters 2 and 3 explained what drove the different SIB designs and shapes. In the next Update Report we will explore whether the 'shape' of a SIB stays static throughout its duration, or whether it metamorphosises even further. If it does change we will explore:

- In which direction is a SIB pushed and pulled over its lifetime?
- Over time does a SIB become more like the original SIB concept, more like a grant/fee-for-service or more like a PbR contract?
- Do the same pressures push and pull on the shape during delivery as they did during the SIB design phase, or do new pressures materialise?

Future Update Reports will also build on the findings of this report. In particular, they will focus on project performance, and how this is affected by the SIB mechanism aka the 'SIB effect'. As we gather more evidence, we will start to be able to explore how the SIB effect varies, including how it varies by:

- SIB design / shape
- The underlying motivations for pursuing a SIB
- Policy area
- Types of stakeholder involved.
- The stakeholders' PESTLE (political, economic, sociological, technological, legal and environmental) conditions (where the last E focusses on the administrative environment and factors) that serve to drive or impede their efforts.

There are other aspects we intend to explore in further depth in future reports, including:

- The impact of COVID-19 on project performance, and how the SIB mechanism helped and hindered project responses (including the flexibility of SIB contracts)
- Extent to which SIB effects are sustained beyond project delivery.

Glossary

Below we list definitions of terms used within the report. The sources for these definitions are noted below, and the source is listed at the end of each definition:

- National Audit Office[68]
- GO Lab[69]
- Own definition
- Other source (source listed at end of definition)

Attribution: Ability to link a specified intervention with the achievement of a specified outcome (NAO)

Avoided costs: The situation in which a SIB reduces *future* demand for a service, which means that demand on budget may be lower than it would otherwise have been, or budget can be released to spend on other services. (Own definition)

Cashability: The extent to which a change in an outcome or output will result in a reduction in spending, such that the expenditure released from that change can be reallocated elsewhere. (GO Lab)

Cherry picking: A perverse incentive whereby providers, investors or intermediaries select beneficiaries that are more likely to achieve the expected outcomes and leave outside the cohort the most challenging cases (GO Lab)

Cohort: Group of people identified to receive the intervention (NAO)

Commissioner: Organisation which funds or contracts for delivery of a service (NAO)

Deadweight: Outcomes which would have happened anyway, regardless of an intervention, policy or investment. To understand the additionality of a certain intervention it is important to have an estimation of the deadweight. (GO Lab)

Fee for service: Payment based on service levels or outputs delivered, rather than outcomes. (NAO definition)

Impact: In the context of impact evaluations, an impact is a change in outcomes that is directly attributable to a programme; also known as causal effect. (GO Lab)

Intermediary: Impact bonds are often supported by experts that provide specific advice. These are typically all referred to as "intermediaries" but encompass at least four quite different roles:

- A consultant who supports the commissioner to develop a business case for the project that secures internal and external approval to proceed to procure and implement the new service.

[68] National Audit Office. 2015. *Outcome-based payment schemes: government's use of payment by results. See:* https://www.nao.org.uk/wp-content/uploads/2015/06/Outcome-based-payment-schemes-governments-use-of-payment-by-results.pdf
[69] See: https://golab.bsg.ox.ac.uk/knowledge-bank/glossary/

- A social investment fund manager who manages a fund [and sometimes project performance] on behalf of social investors and manage the project with commissioners.
- A performance management expert works together with providers, reporting the performance of the impact bond and providing an independent source of information and scrutiny to investors and the commissioner. This might be required if there is a perceived conflict of interest in the provider measuring and reporting on their own performance, or if the provider lacks the skill to deliver the standard of reporting required by stakeholders.
- A special purpose vehicle who brings together other parties in a contractual relationship and holds the contract directly with the commissioner. (GO Lab)

Invest-to-save: Paying for a service on the basis that it will generate the state savings at a later point that will in part cover the costs of the service. (Own definition)

Outcome: A result or change experienced by a person, family or community, for example improved parenting. (NAO definition)

Outcome based contracting: Outcomes-based contracting is a mechanism whereby service providers are contracted based on the achievement of outcomes. This can entail tying outcomes into the contract and/or linking payments to the achievement of outcomes. *It is the broader umbrella of contracts within which social impact bonds sit. They are broader than SIBs because they do not necessarily require external investment.* (GO Lab definition; italicised text added by the evaluation team)

Outcomes Investment Fund: Outcomes Investment Funds make investments into charities and social enterprises [or special purpose vehicles] delivering payment by results contracts, where some or all the income is dependent on achieving social outcomes set by the public sector commissioner. (Big Issue Invest definition: https://bigissueinvest.com/outcomes-investment-fund/

Prior Information Notice (PIN): A Prior Information Notice (PIN) is a method for providing the market place with early notification of intent to award a contract/framework. It allows a narrow window for potential bidders to express an interest and then to submit a proposal in a period as short as 10 days. (GO Lab, though it has since been removed from the glossary)

Procurement: Acquisition of goods and services from third party suppliers under legally binding contractual terms. Public sector procurement is normally achieved through competition and is conducted in line with each government's policy and regulation. In impact bonds, the procurement process identifies the partners, namely the services provider(s) to deliver the selected intervention. (GO Lab)

Service provider: Organisation which is contracted or funded to deliver the service (this is defined as a 'provider' in the NAO report).

Social investor: An investor seeking social impact in addition to financial return. Social investors can be individuals, institutional investors, dedicated social investment funds and philanthropic foundations, who invest through their endowment. (GO Lab)

Social investment: The provision of capital for the purpose of generating social as well as financial returns. (NAO)

Voluntary Ex Ante Transparency (VEAT) notice: A VEAT provides retrospective notice of decision to award a contract to a provider without competition. It is only used when there is a reason to believe that a single, named organisation is in a unique position to deliver a service to the requirements of the commissioner. (GO Lab, though it has since been removed from the glossary)

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Annex 1: Breakdown of outcomes achieved per project

Table A1.1: Summary of CBO portfolio outcomes progress, actual number of users to achieve an outcome (#) and percentage of target (%), 2014 - 2018

SIB Project	Outcome	Outcome type	Policy area	14/15		15/16		16/17		17/18		2015-18 total	
				#	%	#	%	#	%	#	%	#	%
Birmingham Step Down	Successful 52-week family placement	Hard	Children and family welfare	0	0%	5	63%	4	50%	4	17%	13	27%
Ways to Wellness	Measured improvement in patient wellbeing after 6 months	Soft	Health and wellbeing			197	61%	992	63%	1174	81%	2363	71%
	Measured improvement in patient wellbeing after 15 months					0	N/A	1430	98%	2208	94%	3638	96%
	Reduced demand for secondary care services after 24 months	Hard				0	N/A	0	N/A	2208	94%	2208	94%
Reconnections	Avg. UCLA points reduced (by 0.83 - 0.55 points) at 6 months	Soft	Health and wellbeing			11	5%	304	70%	273	81%	588	60%
	Avg. UCLA points reduced (by 0.83 - 0.55 points) at 18 months					0	N/A	4	31%	219	100%	223	94%
West London Zone	Child signs up and parental consent given	Engagement						108	120%	96	104%	204	112%
	Child continuously engages for 12 months							0	N/A	424	126%	424	126%
	Child achieves improvement against rate card after 24 months	Hard / soft	Education and early years					0	N/A	312	65%	312	65%
MHEP (Staffordshire)	Successful engagement with IPS service	Engagement				0	0%	243	74%	200	44%	443	56%
	Sustains employment for 6 weeks	Hard	Employment and training					32	162%	54	43%	86	88%
	Sustains employment for 6 months							21	263%	17	84%	38	109%
MHEP (Haringey)	Successful engagement with IPS service	Engagement				9	75%	34	44%	40	45%	83	47%

SIB Project	Outcome	Outcome type	Policy area	14/15		15/16		16/17		17/18		2015-18 total	
				#	%	#	%	#	%	#	%	#	%
	Starts employment	Hard	Employment and training			0	0%	24	29%	17	49%	41	34%
	Secures and sustains employment 6 weeks					0	0%	3	9%	22	41%	25	29%
	Sustains employment 6 months							3	38%	4	40%	7	39%
MHEP Tower Hamlets	Successful engagement with IPS service	Engagement				0	0%	247	69%	148	30%	395	46%
	Starts employment	Hard	Employment and training					48	114%	64	75%	112	88%
	Secures and sustains employment 6 weeks							23	66%	39	66%	62	66%
	Sustains employment 6 months							12	133%	24	80%	36	92%
MHEP Barnet	Successful engagement with IPS service	Engagement								16	16%	16	16%
	Starts employment	Hard	Employment and training							22	61%	22	61%
	Secures and sustains employment 6 weeks									10	45%	10	45%
	Sustains employment 6 months	Hard	Employment and training							2	18%	2	18%
MHEP Camden	Successful engagement with IPS service	Engagement								113	60%	113	60%
	Starts employment	Hard	Employment and training							17	26%	17	26%
	Secures and sustains employment 6 weeks									5	11%	5	11%
	Sustains employment 6 months									0	0%	0	0%
MHEP Enfield	Successful engagement with IPS service	Engagement								8	10%	8	10%
	Starts employment	Hard	Employment and training							0	0%	0	0%
	Secures and sustains employment 6 weeks									0	0%	0	0%
	Sustains employment 6 months									0	0%	0	0%
North Somerset TtT	Completes intensive stage	Engagement								15	43%	15	43%
	Remains at home	Hard	Children and family welfare							11	100%	11	100%
	Outcomes star	Soft	Health and wellbeing							0	N/A	0	N/A

SIB Project	Outcome	Outcome type	Policy area	14/15		15/16		16/17		17/18		2015-18 total	
				#	%	#	%	#	%	#	%	#	%
HCT Travel Training	Completes travel training	Hard	Education and early years							18	41%	18	41%
	Short-term sustainment									11	37%	11	37%
	Long-term sustainment									3	38%	3	38%
Be the Change	Person signs asset plan	Engagement								49	104%	49	104%
	Successfully secures and sustains accommodation	Hard	Homelessness							56	119%	56	119%
	Engaged with education/training after 18 months	Hard	Employment and training							10	100%	10	100%

Source: The National Lottery Community Fund Management Information. Dark green = met or exceeded annual planned numbers. Light green = 75% - 99% of annual planned numbers achieved. Amber = 50% - 74% of annual planned numbers achieved. Red = fewer than 50% of annual planned numbers achieved. 'Planned' refers to figures from original CBO award agreement.