Commissioning Better Outcomes Evaluation

3rd Update Report

Summary Report

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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 a summary of the third Update Report of the independent CBO Evaluation, undertaken by Ecorys in partnership with ATQ Consultants (ATQ). (the Full Report is available here). 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 It originally made up to £40m available to pay for a proportion of outcomes payments for SIBs and similar outcomes-based contractual models in complex policy areas.

[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:

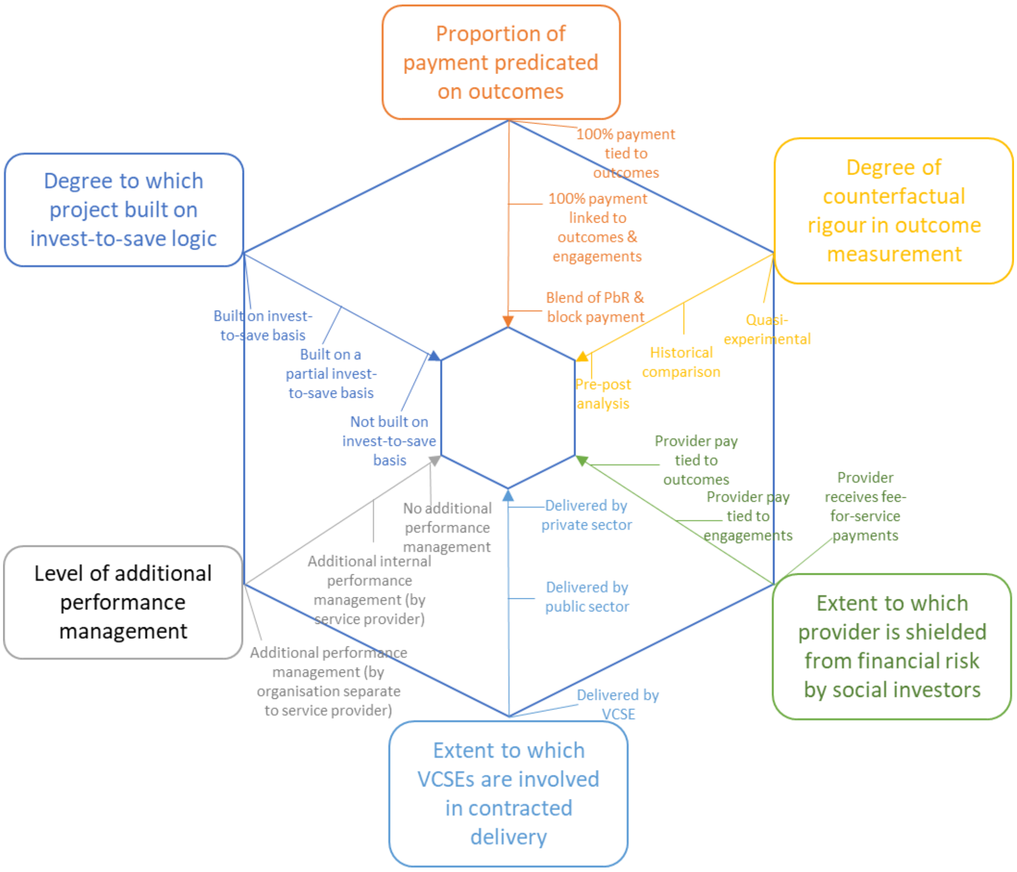
- In-depth reviews: Following nine projects from inception to end, visiting at three points. The evaluation team had undertaken baseline visits to all nine projects, mid-point visits to five projects and final visits to two projects
- LOUD report examining the reasons why 25 areas did, or did not, set 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.

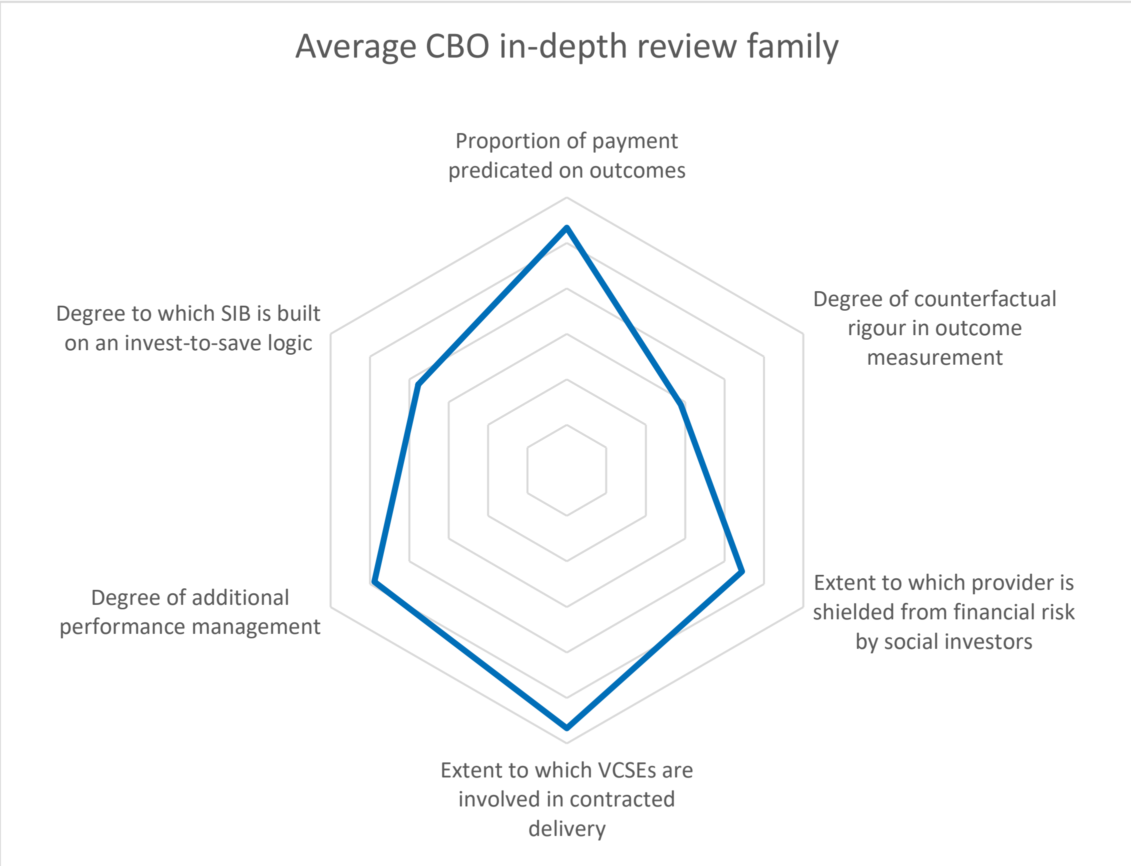
Figure 1: Summary of SIB dimensions used for comparative analysis



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

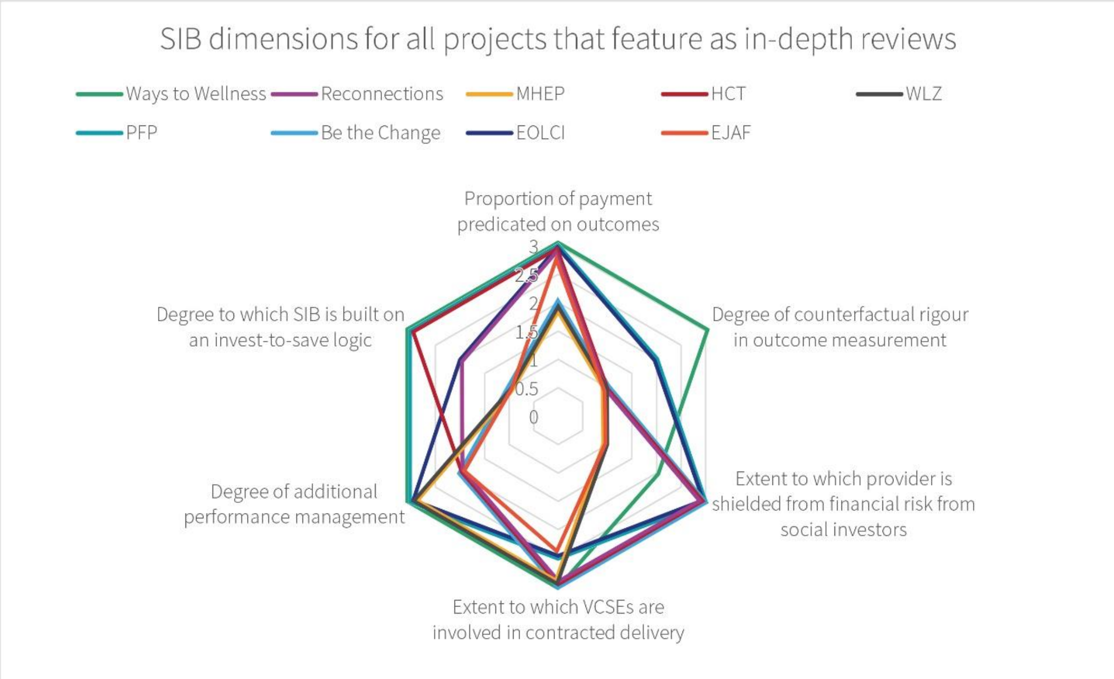
In Figure 2 we provide the average positioning for the CBO in-depth review families against this framework. This shows that the CBO in-depth review families are, on average, different to the textbook SIB on every dimension. However, the degree to which the families differ to the textbook SIB varies across 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

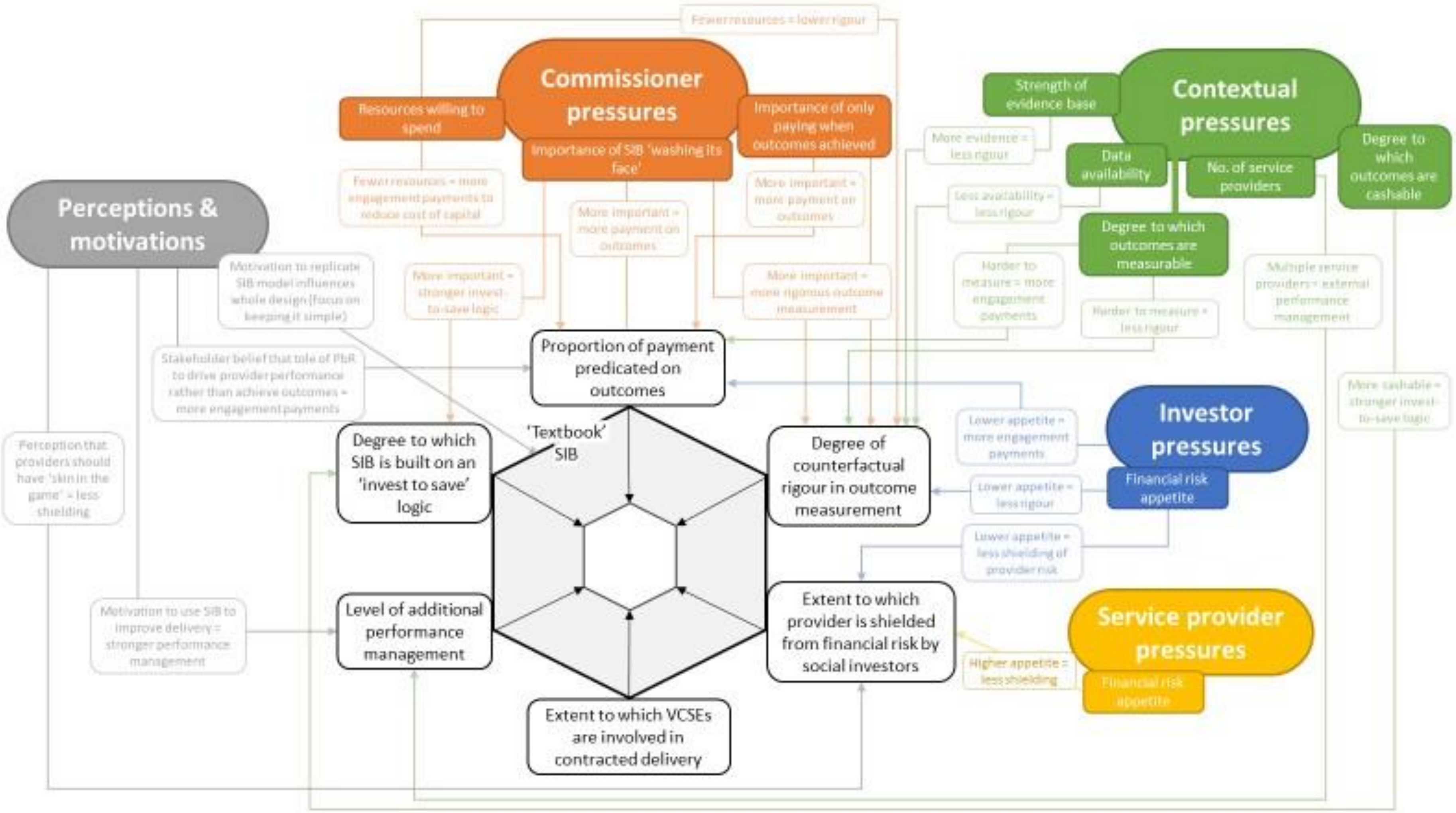
It is possible to undertake rigorous evaluation and ascertain attribution

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.

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[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).

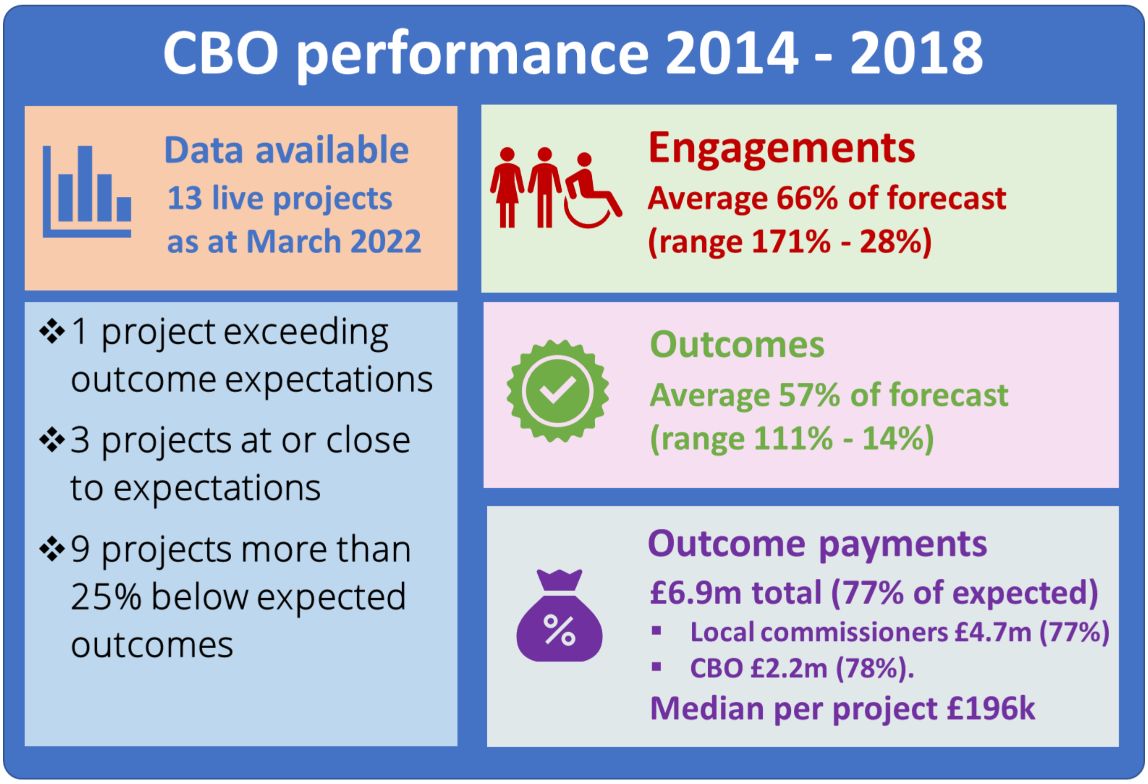
Although this evaluation has found that the development process has been long and complex, it does not mean that the process of developing the CBO projects has not been 'worth it'; it is arguably too soon to make this judgement without seeing the performance and outcomes of all the projects and assessing 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.