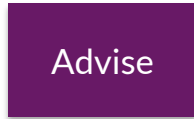




# GOVERNMENT OUTCOMES LAB



## IMPROVING OUTCOMES EAST MIDLANDS SIB PRACTITIONERS WORKSHOP

26<sup>th</sup> September 2018





# GOVERNMENT OUTCOMES LAB

## Welcome

Nigel Ball, Deputy Director & Head of  
Commissioning Support, GO Lab

# About us

Joint partnership  
between UK  
Government &  
Oxford University

Established in 2016

Based at the  
Blavatnik School of  
Government, in  
Oxford

Centre of academic research and practice with a mission to improve the provision of public services to tackle complex social issues, with a focus on outcome based models

# Support available from GO Lab

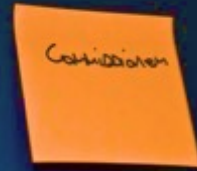
Digital Knowledge  
Hub for SIBs & OBC

[golab.bsg.ox.ac.uk](http://golab.bsg.ox.ac.uk)

Guides &  
resources



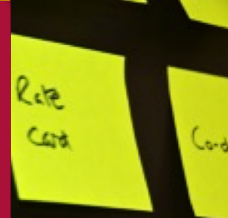
SIB  
Readiness  
Framework



SIB  
projects  
database

HOW TO  
GUIDE  
CONTRACTING  
AND GOVERNANCE

Advice  
surgeries



Events &  
workshops



Webinars



SIB  
Pioneers  
Network



Fellows of  
Practice

# Your burning questions

*'Providing robust evidence  
to justify outcome payments'*

*'Outcome and evaluation'*

*'Procurement  
process'*

*'Managing payment schedules'*

*'Setting up a SIB Contract'*

*'Outcomes payments and getting  
started'*

*'Learning shared from  
other SIB projects'*

*'Commissioner partnership'*

*'Practitioner insight and lessons learnt'*

*'Anything welcome'*

# Agenda for the day

- 10.00 **Welcome**
- 10.10 **Introductions**
- 10.40 **Session I: What can SIBs teach us about service transformation?**
- 11.10 *Coffee break*
- 11.30 **Session II: Knowledge Exchange**
- 13.00 *Lunch*
- 13.45 **Session III: Parallel Sessions**  
*From 13.45*
- Improving outcomes specifications (with Eleanor & Andreea) OR
  - Procurement, contracting and SIB structures (with Nigel & Dom)
- From 14.35*
- Designing the payment mechanism (with Nigel & Eleanor)
  - Life Chances Fund updates and Q&A (with Alex, Helen & Katy)
- 15.20 **Building a SIB Knowledge Club for the region**
- 15.25 **Closing remarks**
- 15.30 **Close**



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OUTCOMES  
LAB**

**Session I: What can SIBs  
teach us about service  
transformation?**





# GOVERNMENT OUTCOMES LAB

The context of SIBs





# Ways to contract for social interventions (not exhaustive!)

## In-house service

No contracting  
takes places

## Fee for service contract

Typically focus on  
inputs and  
contract  
compliance  
Risk stays with  
commissioner  
No investor  
needed

## Payment by results contract

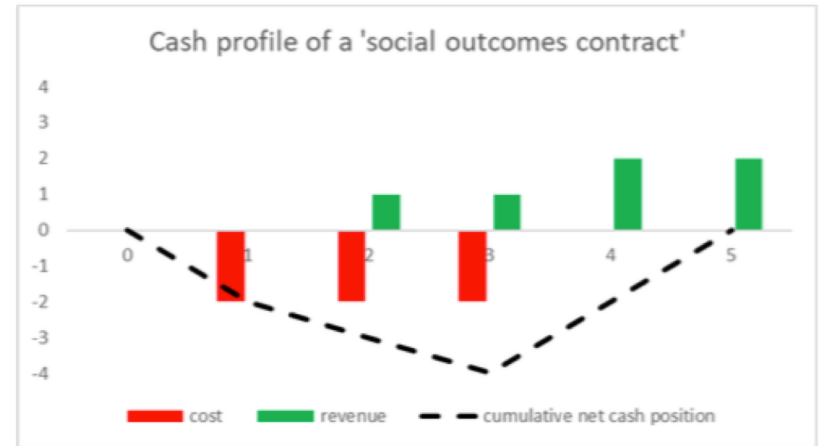
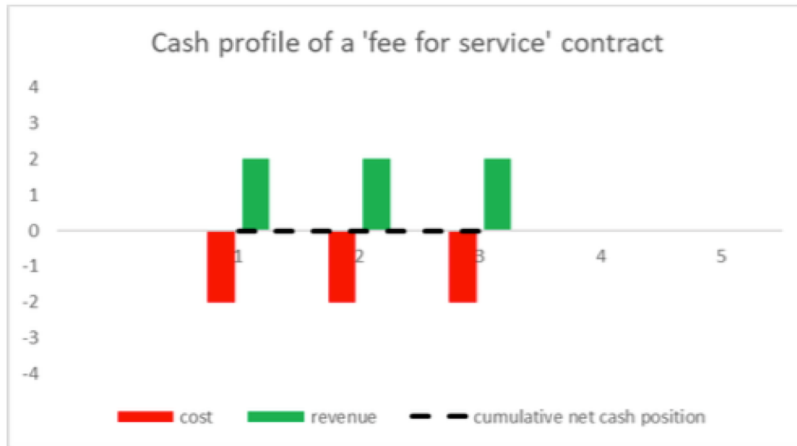
Payment linked to  
outcomes  
(Some) financial risk  
passes to **provider**  
Working capital  
required but  
investor **not**  
incentivised to help  
achieve outcomes

## Social impact bond (SIB) contract

Payment linked to  
outcomes  
(Some) financial risk  
passes to **investor**  
Working capital  
required and  
investor **more**  
incentivised to help  
achieve outcomes

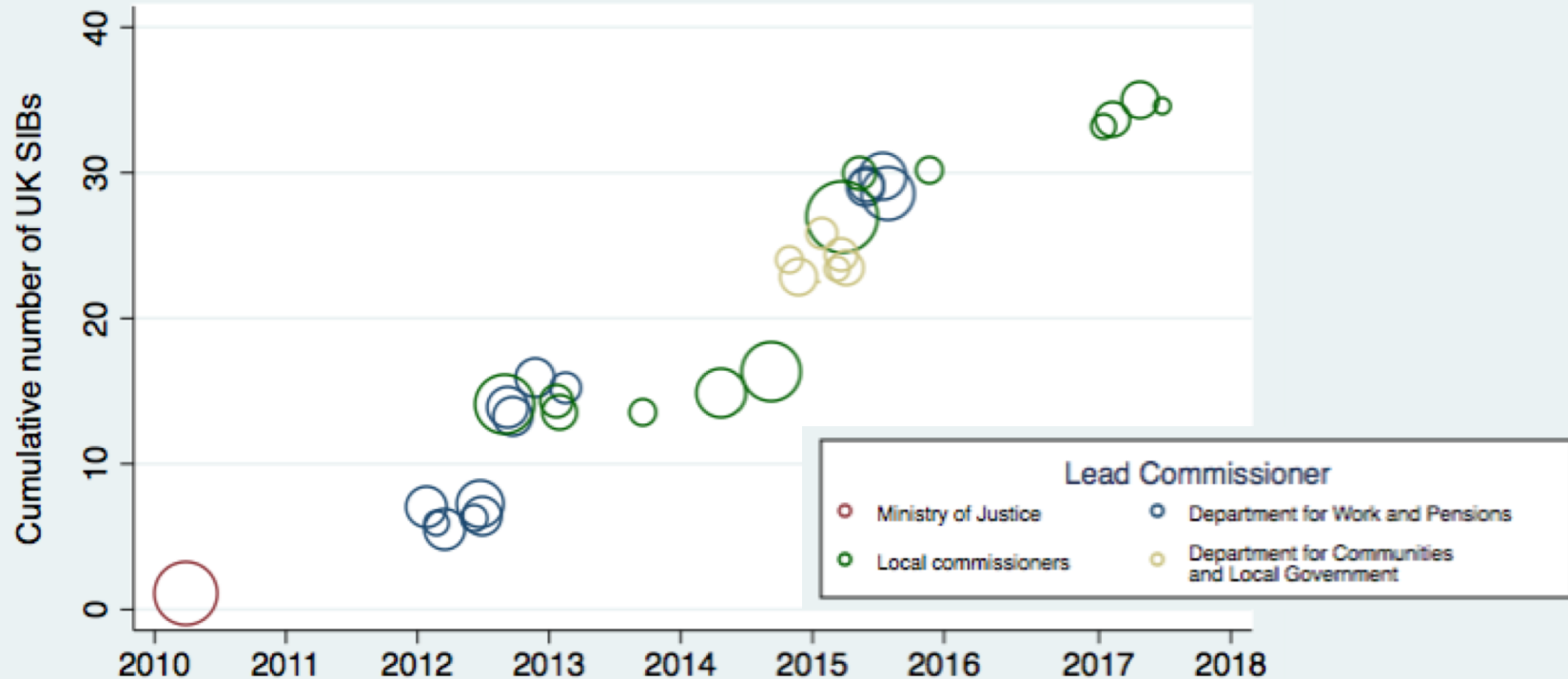
# Paying for outputs & outcomes creates a need for working capital

Delaying payment forces the bidders to raise working capital to deliver the programme



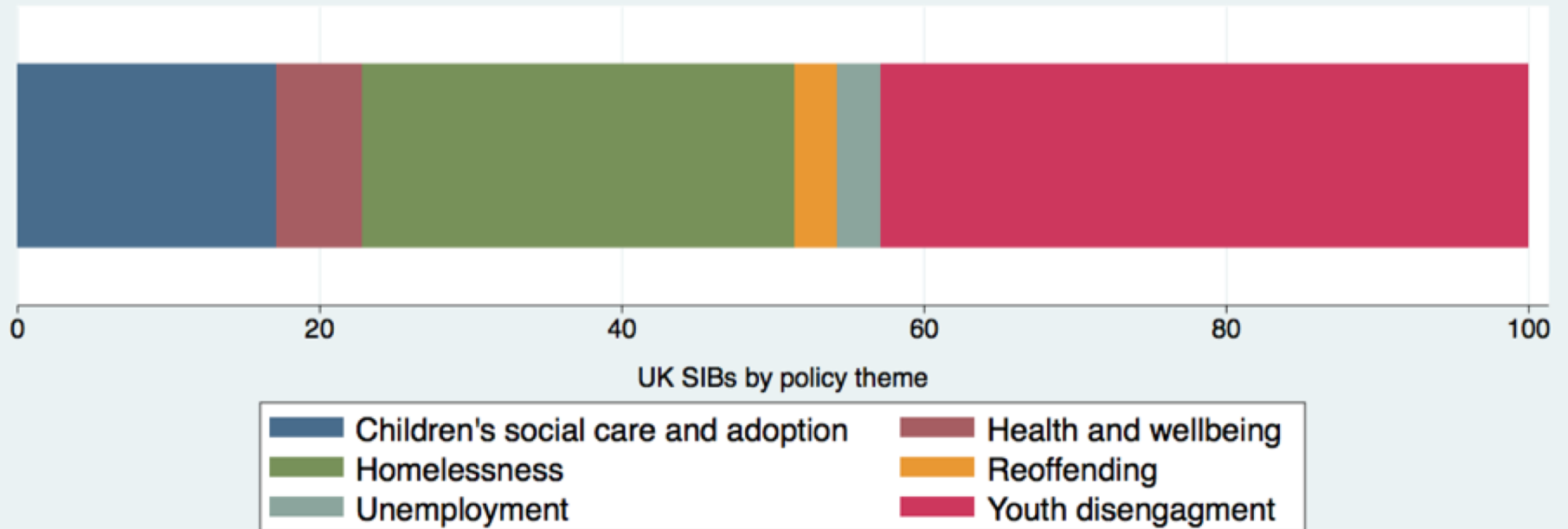
# SIBs in the UK

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



# SIBs in the UK

Figure 2: Proportion of UK SIBs by policy theme



# UK Government outcomes funds for SIBs



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

Rate Card

Bespoke outcomes framework

# GO Lab evidence report on SIBs

## Key findings

- SIBs may overcome perennial challenges in the public sector through **collaboration, prevention and innovation**
- There are four dimensions or active ingredients by which SIBs are expected to improve public service provision:
  - **nature and amount of payment by results;**
  - **the nature of the working capital;**
  - **the social intent of the provider organisation; and**
  - **the performance management approach**
- There needs to be more transparency across the sector, and lessons learned from pilots need to be published whether they were successful or failed
- Download the report: <https://golab.bsg.ox.ac.uk/our-projects/about-evidence-report-2018/>





# GOVERNMENT OUTCOMES LAB

Why use SIBs?



# Why use SIBs?

Public Service  
Challenge

**Silo budgets**

**Short-term focus  
(political & financial)**

**Difficulty creating  
change**

Implications  
for services

Fragmented public  
services: duplications,  
gaps, inadequate  
communication

Reactive public services  
responding to crises

Poor performing services  
go unchanged

Implications  
for citizens

Fragmented, reactive, stagnant services which fail to respond to the needs of vulnerable individuals.

**COLLABORATION**

Enable collaboration  
across multiple  
commissioners & within  
provider networks.  
Service activities 'wrap  
around' service users.

**PREVENTION**

Enable 'invest-to-save'.  
Dual-running of services  
with (social) investors  
funding 'upstream'  
interventions.

**ROOM TO INNOVATE**

Risk transfer enables  
innovation.  
New interventions.  
Enhanced performance  
management.  
Systematic learning.

SIBs' potential  
for public  
service reform





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LAB

The 'active ingredients' of a  
Social Impact Bond



# A SIB's 'active ingredients'

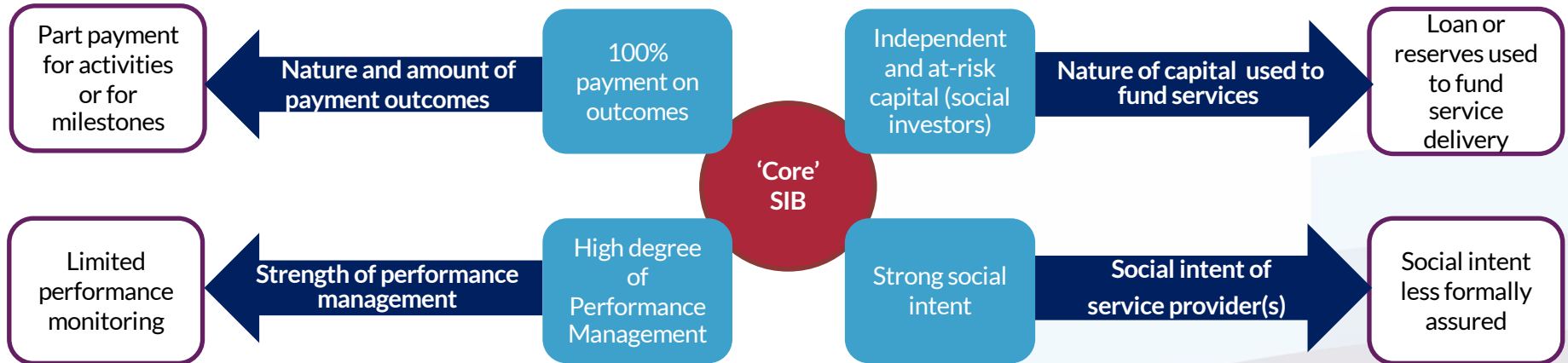


- Social Impact Bonds difficult to define. Used for different reasons and diverse in their structure and features
- To help make sense of this we observed four 'dimensions' along which SIBs tend to vary. This are illustrated on the next slide.
- The four dimensions are: the nature and amount of payment which is for outcomes; the nature of working capital used; the social intent of the provider organisations; and the degree of performance management.
- A SIB in it's supposed 'purest' form might be at the nearest extreme of these dimensions (represented by the red circle at the centre). However, in reality, many variations along each of these axes are observed.
- As projects move away from this 'pure' form, they may begin to look more like conventional grants / fee for service (upper part of diagram), or more like conventional PbR (lower part of diagram).

# A SIB's 'active ingredients'

More like grants/  
Fee-for-Service

More like  
conventional PbR





# GOVERNMENT OUTCOMES LAB

Coffee break



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# GOVERNMENT OUTCOMES LAB

## Session II: Knowledge Exchange





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## DN2 Children's Services Intervention Programme

Jon Hawketts, Nottinghamshire County  
Council

Catherine Young, Derby City Council

Michael Rowley, Nottingham City Council

# DN2 Children's Services

## SIB Intervention Programme

Catherine Young, Derby City Council  
Jon Hawketts, Nottinghamshire County Council  
Mike Rowley, Nottingham City Council

# DN2 – Derby City, Nottingham City & Nottinghamshire

**Our partnership area:**

**Approximately...**

- **290,000 children and young people <18 living in the area...**
- **25% living in low income / deprived households**
- **1,900 children in care...**
  - **130** in independent residential services
  - **1,550** in independent & LA fostering services
  - **65** in LA residential services



# DN2 – Derby City, Nottingham City & Nottinghamshire

## Our vision:

- to support as many children as possible to remain with their birth families

## Our Aims:

- Sustainable long-term achievements – changing lives
- Improved wellbeing
- Improved sense of safety, self-esteem and self-belief
- Improved education attendance and achievement

## Our Desired outcomes:

- For those at risk of coming into care to remain with their birth families
- For those who come into care to sustain living in a stable family setting
- For those in residential care to move to live in a stable family setting where possible

# DN2 – Derby City, Nottingham City & Nottinghamshire

## Our Children in Care:

- 130 in independent residential services
  - Some are in the best place to meet their needs
  - Some we think can have a better experience in a foster family
- 1,550 in independent & LA fostering services
  - Some are on a path towards residential care
  - Some may ultimately need residential care
  - Some we think can remain in fostering with the right support for them and their carers

*We operate in a context of ever reducing funds.*

*We need to achieve the best outcomes for our children... whilst achieving the greatest value for money.*

***We need to do something different, be innovative...***

# Why a SIB?

- Reduces the financial risk / burden of ineffective intervention programmes
- LCF funding reduces the ‘innovation risk’
- Our project has secured £3m towards our outcomes payments – c25% of the total cost
- The underlying issues our SIB is seeking to resolve are the types of ‘complex social problems’ for which the government is promoting the use of SIBs

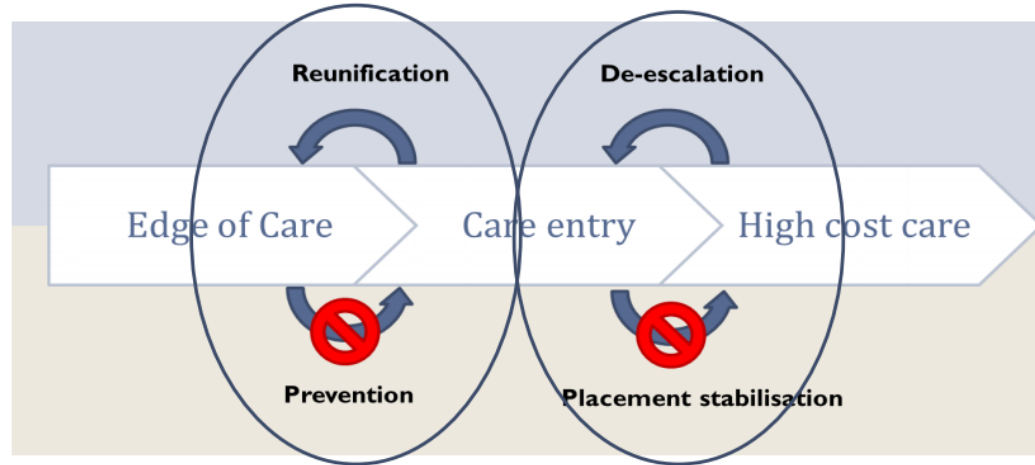
# Focus of our SIB ...

## 1. Edge of Care

To help young people who have entered care (*Reunification*) or who are at risk of entering care (*Prevention*) to remain safely at home with their families

## 2. Foster care placement support

To help young people who have entered residential care (*Residential De-escalation*) or who are at risk of entering residential care (*Placement stabilisation*) to achieve placement stability in the family setting



# Our Journey...

- Outline Business Case
- In-principle Award
- Market Engagement
- Procurement and Dialogue
- Closing the deal
  - With the preferred bidder
  - With BLF / DCMS
- Planning for go-live

# Our Journey



# What we've learned

- It's a longer process than we first envisaged
  - we needed to be properly resourced - project management, procurement and legal
  - It can't be done alongside the day job
- Constantly remind yourselves of your original objectives as you go through the process
  - don't get caught up in the jargon, e.g. social impact bond
- Get some expert advice
  - unless you're sure about the process don't be afraid to ask the experts
  - ... but don't become totally reliant on them; gradually wean yourself off them
  - don't be afraid to challenge them if you think they are wrong ... or if you don't understand their advice!
- Engage market ASAP and at every opportunity
  - we paused whilst waiting for a decision on our OBC; we should have used this time more wisely
- Keep internal stakeholders on board, too
  - especially senior colleagues and (for an LA) elected members.
  - more difficult the longer you leave it as the complication / jargon gets magnified

# What we've also learned...

- Keep things as simple as possible; it doesn't have to be complicated, e.g. our payment mechanism
- Its just a form of outcomes based contract ... with social investment providing the monies in order to attract grant funding
- The finance looks complicated in pure accounting terms but blindingly easy in practice
  - You pay only for outcomes that are actually achieved (...retrospectively)
  - The amount is sufficiently large to provide an acceptable rate of return to the social investor providing the upfront finance
  - But its also sufficiently small to enable a successful SIB programme to deliver savings to the 3 Councils
  - ... and 25% of payments are made by government, too 😊



# Questions ...

# or for the table discussions?



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# Reflections on developing Social Impact Bonds

Dominic Llewellyn, CEO, Numbers for Good  
& GO Lab Fellow of Practice



# Reflections on social impact bonds from Numbers for Good

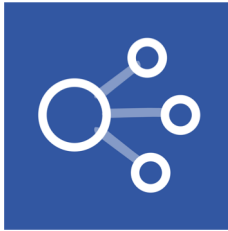
September 2018



# About Numbers for Good

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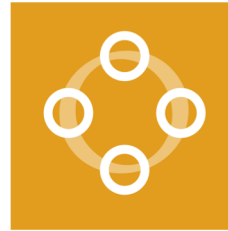
Our mission is to bridge the worlds of finance and social innovation and impact. We create solutions that allow organisations to fund social and environmental projects and connect investors with opportunities for sustainable financial and social returns



**Social  
innovation**



**Incubators and  
accelerators**



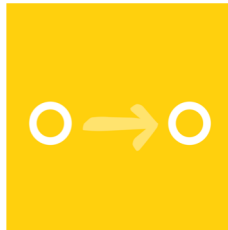
**Social impact  
bonds**



**Exploring  
social  
investment**



**Investment  
funds**



**Raising capital**



**International  
development**



**Housing  
associations**

# 1. Numbers for Good and social impact bonds

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- Our team have delivered over 25 social impact bond projects across a range of impact areas.
- Extensive experience in the end-to-end design and execution of SIBs. Our work covers identification of savings, pricing outcomes, structuring and executing the SIB as well as raising capital and performance management.
- Strong knowledge across different sectors
- We have successfully structured and executed 7 social impact bonds for our clients.
- Key examples that our team have been involved in include:
  - Fusion Housing & Home Group's Fair Chance Fund SIBs, delivering accommodation and employment/training outcomes for young people
  - Working with Sefton Council on creating a NEETs SIB
  - Led a LCF bid for Lancashire on helping young people avoid care and improve their life chances
  - Addaction's SIB with Cornwall County Council reducing demand on A&E by providing better outcomes for people with multiple complex needs
  - Mayday's 'Be the Change' SIB, supporting homeless people in Northamptonshire – the first homelessness SIB majority commissioned by a local authority.
  - Changing Lives SIB in Newcastle and Gateshead and GM Homes Partnership in Manchester (commissioned by Newcastle and Gateshead and the Greater Manchester Combined Authority, respectively).

# 1. Why do commissioners & providers say they use SIBs?

Public sector commissioners	Charity & social enterprise providers
<ul style="list-style-type: none"><li>• Financial risk transfer (e.g. supports risk management of innovation)</li><li>• Allows commissioners to fund prevention, while only paying for what works</li><li>• Increased focus on outcomes (not inputs)</li><li>• Potential for co-commissioning</li></ul>	<ul style="list-style-type: none"><li>• Financial risk transfer (&amp; ability to deliver PBR contracts with appropriate working capital provided by investor)</li><li>• Access to sizeable, long-term and stable revenue streams</li><li>• Increased focus on outcomes (not inputs)</li><li>• Scale up effective interventions</li><li>• Improved performance management &amp; impact (via investor partnerships)</li></ul>
Social investors: opportunity to generate social + financial return	

# 1. Key features of interest

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Flexibility



Rigour



Partnership



Client-centred



Silo-breaking



Innovative

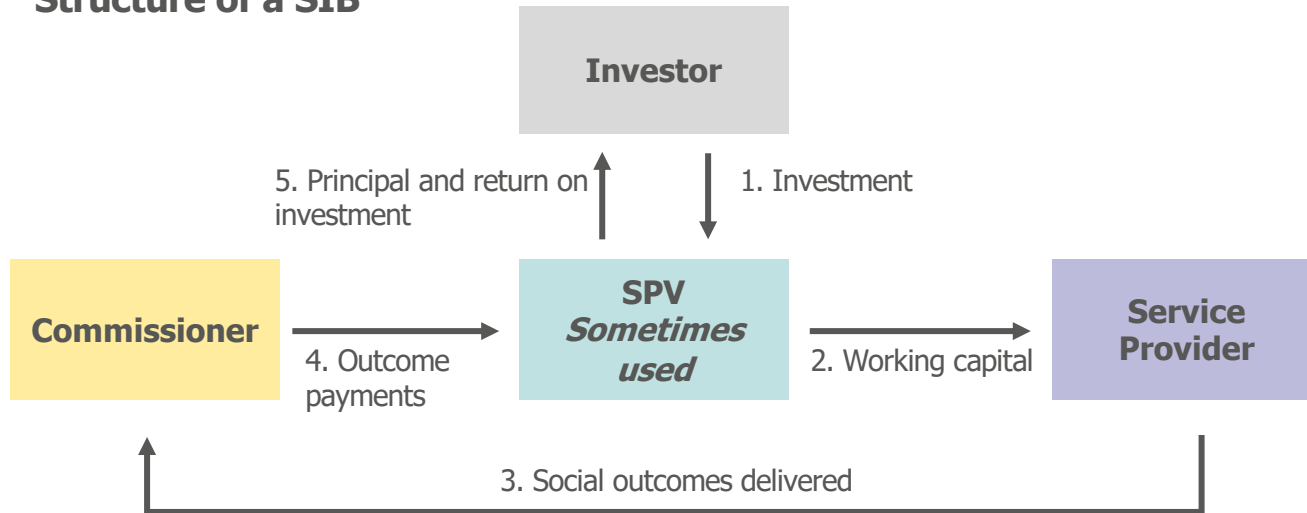


# 1. Financing outcome based contracts

## Social Impact Bonds (SIBs)

- Social impact bonds are a financing mechanism for outcomes based contracts. A social investor typically lends the upfront capital needed to set up the intervention and is repaid at the end of the contract with the income generated from outcomes achieved.

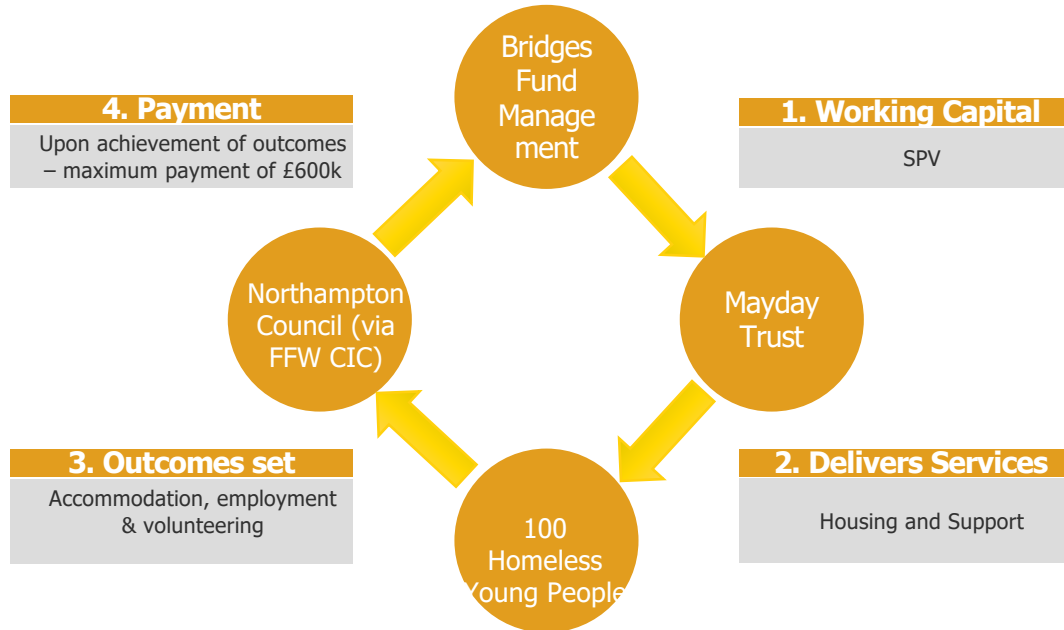
### Structure of a SIB





## 2. First for Wellbeing Multiple Complex Needs

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## 2. First for Wellbeing Multiple Complex Needs

---



### **Key Lessons**

- ① Ensuring proposition is investible is essential
- ② Need for historical data and evidenced outcomes
- ③ Need for a collaborative attitude
- ④ Involvement of key stakeholders



### **Interesting features**

- ① Uses established rate card
- ② Contract cap for commissioner protection
- ③ Quick set-up: SPV, legals all resolved to normal commissioning time tables

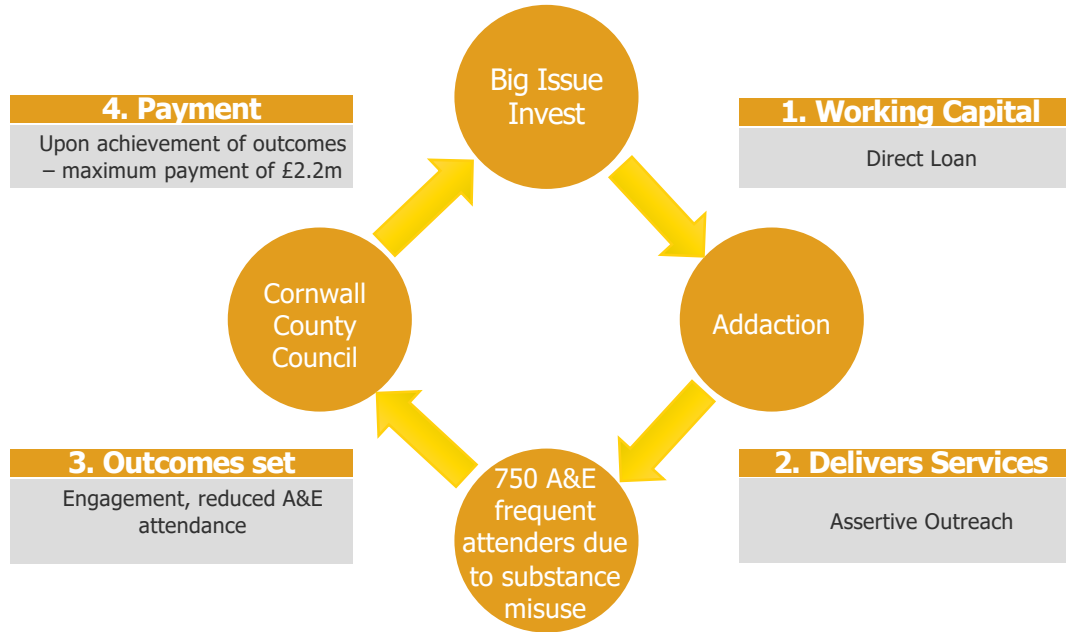


### **What they say**

“First for Wellbeing CIC is delighted to be working in partnership with the Mayday Trust and Bridges. The project supports those who often receive little support because of their complex and correlating problems; issues such as homelessness, total relationship breakdown, physical and mental health problems including addictions, long-term unemployment and disrupted education and trauma.” Janet Doran, Managing Director of First for Wellbeing CIC

## 2. Reducing A&E attendances in Cornwall

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## 2. Reducing A&E attendances in Cornwall

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### **Key Lessons**

- ① Engage the Provider's Board and Senior Management early
- ② Ensure senior buy-in within the local commissioning authority
- ③ Use data to inform decisions



### **Interesting features**

- ① Savings do not accrue to Commissioner
- ② 35% top-up funding from LCF
- ③ Pilot service helped inform outcomes

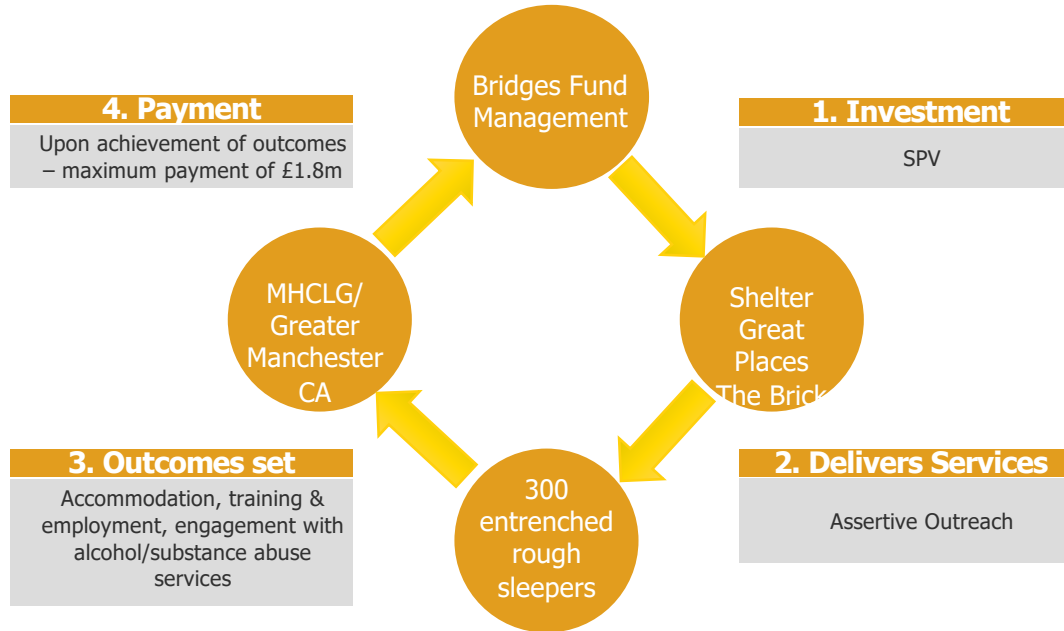


### **What they say**

"We wanted to create the Cornwall social impact bond to create an outcomes based commissioning approach for some of our work to both focus on the outcomes we deliver and in recognition that more contracts might move this way"  
Addaction

## 2. Greater Manchester Homes – reducing rough sleeping

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## 2. Greater Manchester Homes – reducing rough sleeping

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### Key Lessons

- ① Build strong relationships with all parties
- ② Strong project management essential
- ③ Stress test the cost and outcome assumptions



### Interesting features

- ① Three delivery providers, one with a different approach
- ② Housing support from a consortium of housing associations
- ③ Contract to be increased due to demand



### What they say

“Housing association business models are becoming outdated, so as an organisation we have a ‘burn to learn’ how social innovation works. Numbers for Good has been an invaluable partner in our journey to challenge conventional thinking. It’s a pleasure to work with such an honest, transparent and solution-focused team” Trafford Housing Trust

### 3. Worksheet - SIB readiness toolkit

Assessment	
Is the social impact of the programme well-defined?	
Is the target cohort identified?	
Is there evidence that the intervention(s) achieve the desired outcomes?	
Can we quantify the social impact? Are outcomes easily measurable?	
Does the programme have a strong track record of delivery?	
Do the outcomes and cohort align with commissioner priorities?	
Do we have some thoughts as to how we might be able to finance the programme?	
Is the service delivery operationally viable?	

# Contact Information

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dominic@numbersforgood.com

## General

020 7148 6741

4th Floor, 6-7 Great Newport Street, London WC2H 7JB

[www.numbersforgood.com](http://www.numbersforgood.com)

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# GOVERNMENT OUTCOMES LAB

Lunch



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# GOVERNMENT OUTCOMES LAB

Improving Outcomes  
Specifications

*(Eleanor & Andreea)*

OR

Procurement, Contracting  
& SIB structures

*(Nigel & Dominic)*



# GOVERNMENT OUTCOMES LAB

**Session III: Parallel sessions**





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# GOVERNMENT OUTCOMES LAB

Improving Outcomes  
Specifications

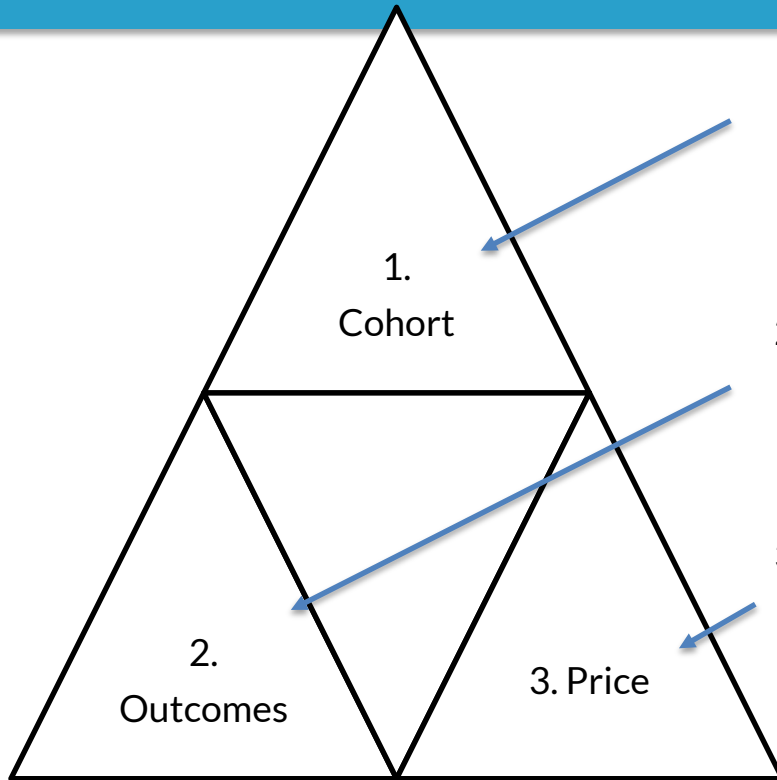
*(Eleanor & Andreea)*

OR

Procurement, Contracting  
& SIB structures

*(Nigel & Dominic)*

# Improving outcomes specifications

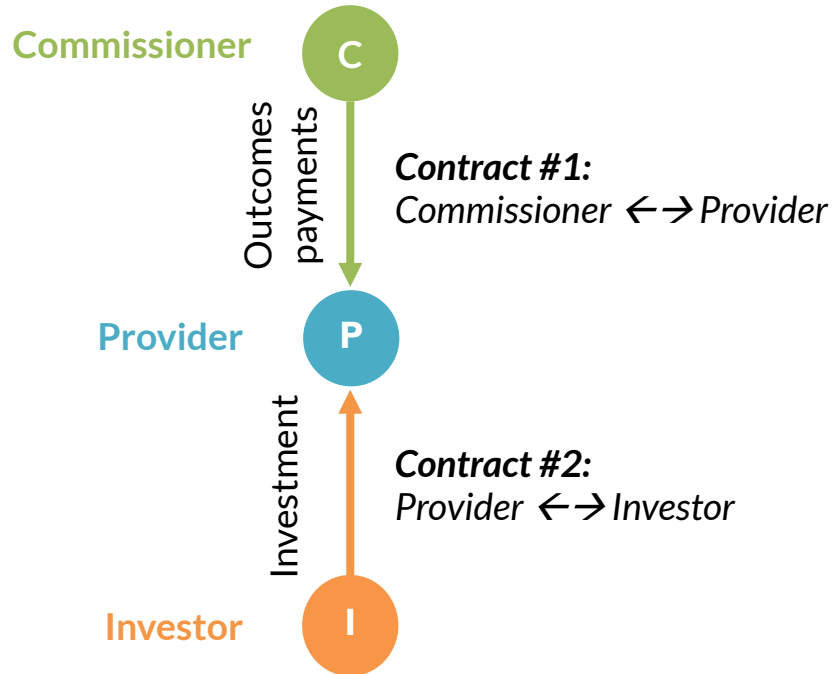


- 1. Tightly defined eligible cohort**
  - Clear, objective criteria
  - Understanding of how far participants are from the desired outcomes
  - Independent referral / identification mechanism
- 2. Alignment between payable outcomes and policy objectives**
  - Logical link between activity, outputs and outcomes
  - Adequate period of time for tracking
  - A way to tell if the effect has 'stuck'
- 3. Accurate price-setting of outcomes**
  - Robust estimate of likely level of benefit vs what would happen anyway ("deadweight")
  - A way to get confidence that any outcomes are caused by the intervention ("attribution")
  - Suitably long outcome tracking-period

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

# Contract Mechanism 1

## *Provider in the middle*



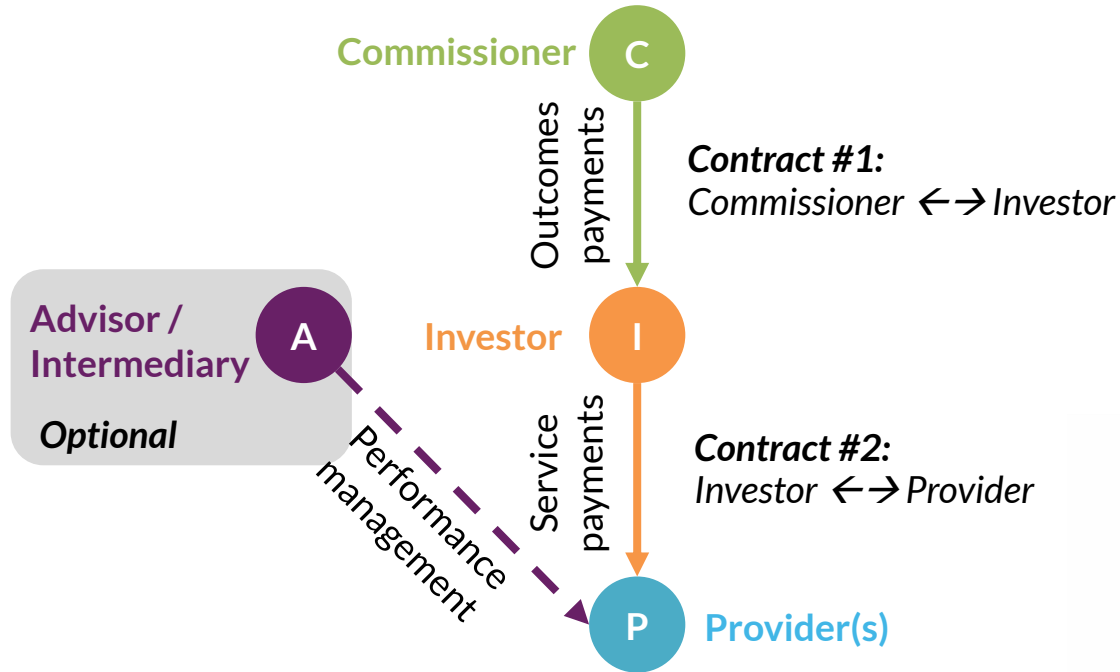
The Provider holds the contract with the Commissioner and takes responsibility for finding an Investor to share the risk with

The Investor gives the Provider the money needed to deliver the work upfront; if outcomes are not achieved then the Provider doesn't have to repay (all) this money and the Investor loses their capital and receives no return

Generally best for projects with **one** Commissioner and Provider

# Contract Mechanism 2

## Investor in the middle



The Investor holds the contract with the Commissioner. If outcomes are not achieved, the Investor stands to lose their investment and no return is paid

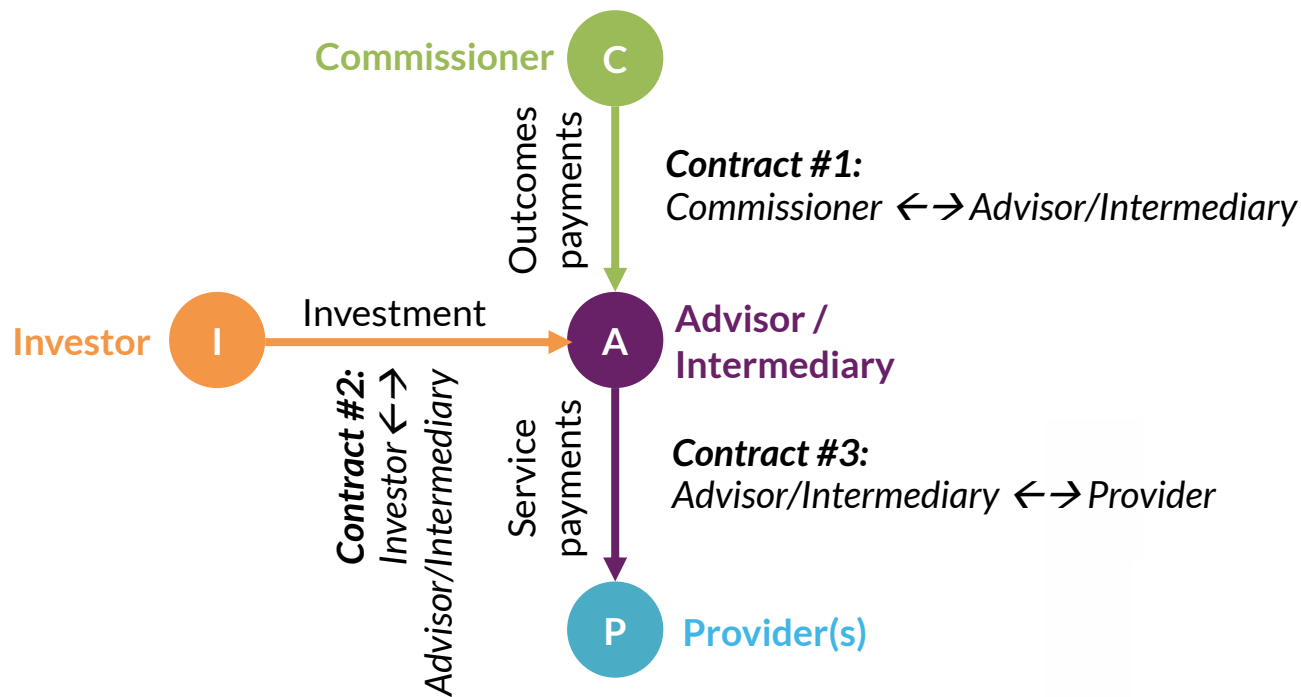
The provider operates on service fee basis, shielded from risk by the Investor

Sometimes an advisor / intermediary provides performance management of the provider to help assure the investor outcomes will be achieved

Generally best for projects with **multiple** Commissioners and/or Providers

# Contract Mechanism 3

## Advisor / intermediary in the middle



The Commissioner holds the contract with an Advisor/intermediary, who raises investment from the Investor(s). If outcomes are not achieved, the Investor stands to lose their investment and no return is paid

The provider operates on service fee basis, shielded from risk by the Investor

Generally best for projects with **multiple** Commissioners, Providers and/or Investors



The logo for the Blavatnik School of Government, featuring a dark blue background with a light blue curved shape at the top and the text "BLAVATNIK SCHOOL OF GOVERNMENT" in white.

BLAVATNIK  
SCHOOL OF  
GOVERNMENT

The logo for the University of Oxford, featuring a dark blue background with the University of Oxford crest and the text "UNIVERSITY OF OXFORD" in white.

UNIVERSITY OF  
OXFORD

# GOVERNMENT OUTCOMES LAB

Designing the Payment  
Mechanism

*(Nigel & Eleanor)*

OR

Life Chances Fund  
Updates and Q&A

*(Alex, Helen & Katy)*



**GOVERNMENT  
OUTCOMES  
LAB**

**Building a SIB Knowledge  
Club**



# Support available from the GO Lab



- **Advice Surgeries**
  - The GO Lab team are available on Tuesday mornings to provide advice and support via phone or online. Book at <https://golab.bsg.ox.ac.uk/guidance/advice-surgeries/>
- **Access information and resources**
  - Our website includes technical guides, introductory materials, a publications library, case studies and a projects database. <https://golab.bsg.ox.ac.uk>
- **Events & webinars**
  - We host events and training sessions for officials in commissioning authorities. <https://golab.bsg.ox.ac.uk/news-events/>

# WEBINAR: Setting up the payment mechanism in an outcomes-based contract



GOVERNMENT  
OUTCOMES  
LAB

24<sup>th</sup> October 2018  
10am – 11.30am

Book your place:

<https://golabpaymentmech.eventbrite.co.uk>

# WEBINAR: Measuring the impact of your outcomes-based project



GOVERNMENT  
OUTCOMES  
LAB

13<sup>th</sup> November 2018  
10am – 11.30am

Book your place:  
[golab@bsg.ox.ac.uk](mailto:golab@bsg.ox.ac.uk)



# GOVERNMENT OUTCOMES LAB

## Closing remarks

Nigel Ball, Deputy Director and Head of  
Commissioning Support, GO Lab



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YOUR FEEDBACK

Go to: [slido.com/SIBsEastMids](https://slido.com/SIBsEastMids)

# Contact us



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[linkedin.com/in/go-lab-395513140/](https://www.linkedin.com/in/go-lab-395513140/)