

Final in-depth review,
produced as part
of the independent
Commissioning Better
Outcomes Evaluation

HCT Independent Travel Training Social Impact Bond

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1.0 Executive summary

Project focus and stakeholders		Project achievements																										
Commissioner(s):	London Borough of Lambeth Norfolk County Council Surrey County Council	Service users referred to HCT <table border="1"> <thead> <tr> <th>Region</th> <th>Plan</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>Lambeth</td> <td>200</td> <td>200</td> </tr> <tr> <td>Norfolk</td> <td>350</td> <td>449</td> </tr> <tr> <td>Surrey</td> <td>100</td> <td>47</td> </tr> </tbody> </table>			Region	Plan	Actual	Lambeth	200	200	Norfolk	350	449	Surrey	100	47												
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Lambeth	200	200																										
Norfolk	350	449																										
Surrey	100	47																										
Service provider(s):	HCT Group																											
Intermediary or Investment Fund Manager	Bridges Fund Management	Service users engaged and suitable for training <table border="1"> <thead> <tr> <th>Region</th> <th>Plan</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>Lambeth</td> <td>190</td> <td>117</td> </tr> <tr> <td>Norfolk</td> <td>250</td> <td>224</td> </tr> <tr> <td>Surrey</td> <td>85</td> <td>20</td> </tr> </tbody> </table>			Region	Plan	Actual	Lambeth	190	117	Norfolk	250	224	Surrey	85	20												
Region	Plan	Actual																										
Lambeth	190	117																										
Norfolk	250	224																										
Surrey	85	20																										
Intervention	Bespoke travel training designed by HCT																											
Target cohort:	Young people with Special Educational Needs or Disabilities (SEND) who can be trained to travel from home to school independently	Outcomes achieved (Young people able to travel independently) <table border="1"> <thead> <tr> <th>Region</th> <th>Plan</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>Lambeth</td> <td>80</td> <td>52</td> </tr> <tr> <td>Norfolk</td> <td>222</td> <td>41</td> </tr> <tr> <td>Surrey</td> <td>80</td> <td>11</td> </tr> </tbody> </table>			Region	Plan	Actual	Lambeth	80	52	Norfolk	222	41	Surrey	80	11												
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- ¹ 'Planned' means the amounts included in the CBO grant award. These are based on the 'Median' scenario (also referred to as the 'base case' i.e. the level of achievement that was thought likely to be achieved) In this case planned means the Median scenario agreed when contracts were renegotiated in 2019.
- ² Actual means figures achieved at the end of the project, as reported in the CBO End of Grant report.
- ³ This is the original investment committed as reported by Bridges Fund Management. According to the CBO team the commitment was revised at renegotiation of CBO grant award to £679k, equal to the amount repaid.
- ⁴ IRR is essentially a way of converting the total returns on an investment (for example profits made by a business, or in this case total outcome payments) into a percentage rate, calculated over the length of the investment and varying according to cash flow – i.e. how quickly and soon payments are made.
- ⁵ Money Multiple is another way of measuring returns. It expresses the total returns as a simple multiple of the amount initially invested. Unlike IRR, MoM does not vary according to when payments are received For more information on both IRR and MM see: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/957374/A_study_into_the_challenges_and_benefits_of_the_SIB_commissioning_process_Final_Report_V2.pdf

1.1 Introduction

The Commissioning Better Outcomes (CBO) Fund is a social impact bond (SIB) programme funded by The National Lottery Community Fund, which aims to support the development of more SIBs and other outcomes-based commissioning⁶ (OBC) models in England. The National Lottery Community Fund has commissioned Ecorys and ATQ Consultants to

evaluate the programme. A key element of the CBO evaluation is nine in-depth reviews, and this review of the HCT Independent Travel Training SIB is one of these. It is the final review of this project and aims to draw overall conclusions about the success of the project, its value for money, and the lessons that we think can be learned from it for other projects.

1.2 HCT Independent Travel Training overview

This SIB was devised and designed by HCT Group, a major social enterprise providing a range of transport services from community and social services transport to conventional London red buses. The aim was to use a SIB model to fund travel and support to young people with Special Educational Needs or Disabilities (SEND) so that they can travel from home to school independently and use public transport, rather than relying on specialist transport, usually in a taxi or minibus.

Independent travel training has been recognised as good practice and encouraged by the Department of Transport since 2011. If delivered successfully, it has major, potentially lifelong social benefits to young people with SEND because it promotes and encourages them to live independently. It also has the potential to achieve substantial savings to local authorities (LAs) by reducing the costs of specialist home to school transport.

The HCT Independent Travel Training (ITT) SIB had two main objectives:

- **To explore whether ITT could be delivered at significant scale.** While many LAs offer ITT, it is often at too small a scale to make a real difference

to young people and make a significant dent in the demand for, and cost of specialist transport (which can only be reduced if existing contracts and routes are reorganised). The reasons why existing schemes had not scaled to help a larger number of children and unlock significant savings were not fully understood, and were likely to vary from one LA to another. It is risky for LAs to invest heavily in ITT using conventional contracts or delivered in-house, without knowing whether it will successfully train enough children to justify the cost. The benefit of a SIB model is that LAs only have to pay for successful training outcomes, and therefore the costs will be proportionate to the number of children travelling independently.

- **To create a model which could be replicated and provided to several LAs under a similar contract and payment structure.** This could be done using a conventional ‘fee for service’ contract approach, but a SIB model made it easier and reduced risk both to commissioners (because payments would be proportionate to the number of children successfully trained) and to HCT (who could fund expansion with working capital and expertise from social investors).

⁶ Outcomes-based commissioning 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..

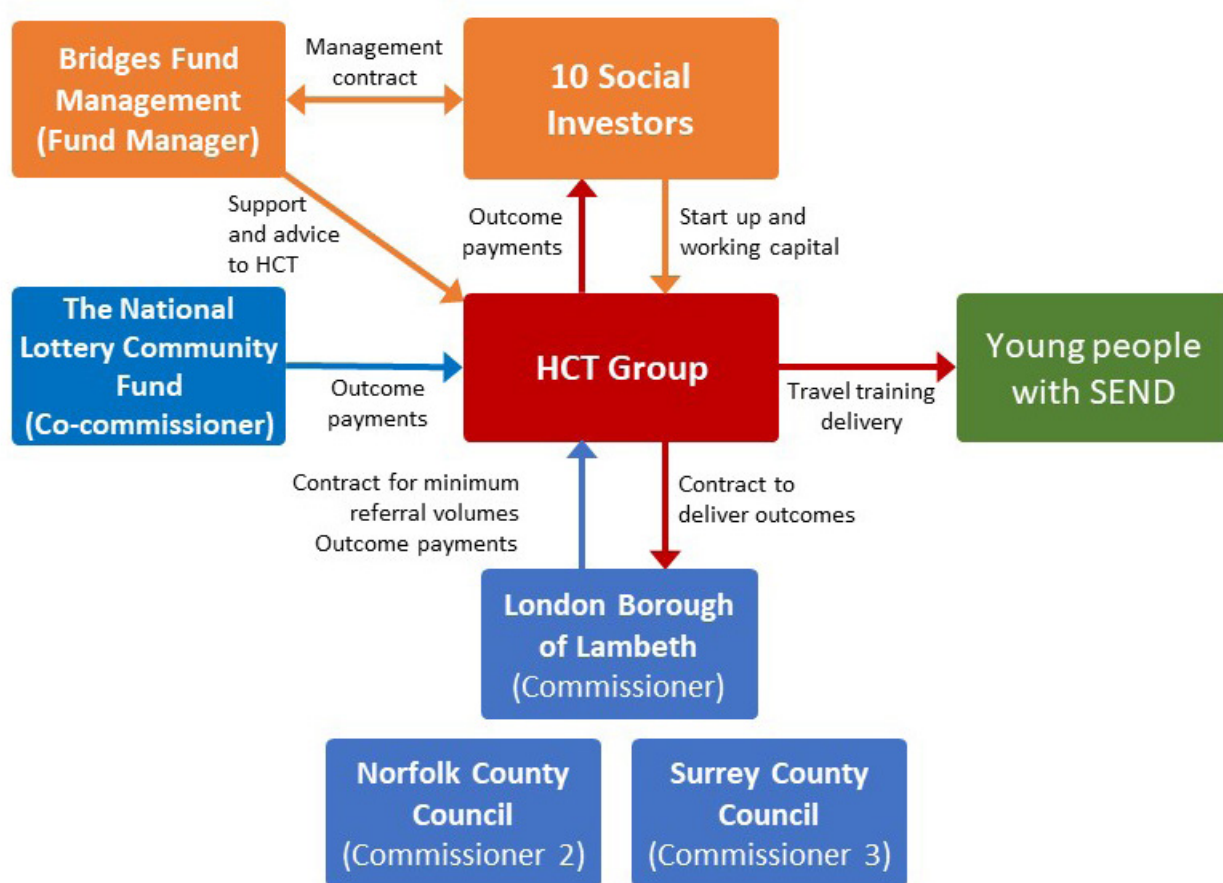
The SIB model devised by HCT, with support from Bridges Fund Management (BFM), which managed social investment in the project, is shown in simplified form in the Figure below and described in more detail in section 3.1 of this report. In summary:

- HCT held the outcomes contract with each of the commissioning LAs. The London Borough of Lambeth (Lambeth) was the first commissioner to contract, followed by Norfolk and Surrey

County Councils (Norfolk and Surrey).

- Each council contracted to make an agreed payment per outcome under a relatively simple payment mechanism. This linked payments to a child having successfully completed training and been signed off as able to travel independently, with sustainment payments for the child continuing to travel independently for one, two and (in Surrey only) three further terms.

HCT independent travel training structure (Simplified – see full structure in Section 3)



- The councils also contracted to make a minimum number of referrals each year, since there was concern (identified during the development process) about the ability of the LAs to make sufficient referrals of children able to be trained (known as 'eligible' referrals) for the contracts to be viable.
- The National Lottery Community Fund agreed to contribute to outcome payments as a co-commissioner through the CBO programme. The National Lottery Community Fund initially agreed to

contribute 15% of outcome payments, which was varied to 24% on contract renegotiation in 2019.

- Social investment came from the ten investors in the Social Impact Bond Fund, created by Big Society Capital and other investors, and managed by BFM. A separate agreement between HCT and the investors specified an amount of working capital that they would advance to enable HCT to create and launch the service. In return investors received a share of income from outcome payments if and when outcomes were achieved.

- This agreement also specified subsequent advances dependent on the volumes of eligible children referred to the service by the commissioning councils, in line with their obligations to make minimum numbers of eligible referrals.
- BFM (which had an established relationship with HCT and had previously facilitated the raising of social investment to help them grow) provided support and advice to HCT in their role as Investment Fund Manager (IFM). Since HCT was the contract holder with each LA, BFM was not as active in managing the project and each contract as it has been on some other projects.

We describe the process through which HCT developed this structure, and then implemented contracts, in more detail in section 3 of this report. In summary:

- The majority of development work on the structure was done in late 2015 and the first months of 2016, although full contract implementation with each commissioner took much longer.
- HCT engaged with a number of commissioners with a view to contracting for ITT. Lambeth was among the first to engage, and the first commissioner to contract for ITT under the SIB. This contract started in September 2016.
- Norfolk was also engaged by HCT relatively early in the process, and its contract started in July 2017. Both Lambeth and Norfolk were attracted by the financial case for the SIB and the savings it would potentially achieve, as well as to the benefits to young people with SEND.

- Surrey was the third commissioner to contract to deliver the service and did not do so until June 2018, after completion of our first review of this project.

Implementation of contracts took much longer than expected in all three areas. The main reason for the delay in Surrey was that there was challenge to the procurement process, which meant that the Council had to run a formal competition before awarding the contract to HCT.

In both Lambeth and Norfolk the commissioner used innovative procurement procedures to award the contracts quickly to HCT without full competition. The main causes of delay in the development process in these two areas were:

- Developing a business case that accurately predicted the extent to which each council would be able to convert reduced demand for specialist transport into cashable savings, There was uncertainty about the degree of rationalisation of existing provision needed, and the volume of young people whose special needs would enable them to be successfully trained. This was one reason why minimum referrals of children 'eligible' for training were written into each contract.
- Engaging with key stakeholders and persuading them to commit to ITT. There was some resistance to training from parents, who were understandably concerned about safety and wellbeing issues, and, in Norfolk, similar safeguarding concerns from both schools and the council's Children's Services Department. HCT worked hard to overcome these engagement issues, both before and after contract implementation.

1.3 What has happened in practice

Due to operational challenges all three contracts with commissioners ended sooner than planned.

Section 4 of this report describes the different challenges faced by each contract, but in summary:

- The Surrey contract was the first to end. While it faced similar challenges to the other contracts in achieving enough eligible referrals (see below) there was, according to HCT stakeholders, a more fundamental challenge due to frequent changes of key personnel, in particular of lead Surrey commissioner. There were in total four changes of lead commissioner between April 2017 (when the procurement started) and December 2019. HCT believed that this led to a stop/start approach to mobilisation and team building within HCT and made it much harder to resolve operational issues. HCT eventually withdrew from the contract in March 2020.
- Both the Lambeth and Norfolk contracts were eventually ended due to the impact of COVID-19 and associated restrictions, which caused HCT to withdraw entirely from the provision of ITT on both a conventional and outcomes contract basis. Under COVID-19 restrictions all schools were closed, so there were no home to school journeys; but even if schools had been open LAs, schools and parents all thought it inappropriate for children to be encouraged to travel by public transport during the pandemic. As a result both contracts ended in September 2020. Norfolk was then hoping to restart the service as restrictions due to the first lockdown eased, but the imposition of further lockdowns in Nov-Dec 2020 and the first three months of 2021, are likely to have made any restart of the contract extremely difficult.
- Prior to this both sites had faced significant challenges due to referrals of eligible children being lower than forecast and as stipulated in the respective LA contracts. These issues were more acute in Lambeth, where the LA alone was responsible for judging whom to refer and their eligibility. In Norfolk the issue was mitigated by referral being effectively a joint assessment, with the HCT team embedded within Norfolk's

SEND transport team, with full access to Norfolk's systems and information on children who might be suitable for training. Both the HCT team and Norfolk commissioner agree that the much greater challenge for this contract was parental consent to training and the reluctance of individual schools to allow assessments, and cooperate in children arriving at school on public transport – a continuation of issues faced when the contract with Norfolk was being developed, as noted above.

- In Lambeth concern about the shortfall of eligible referrals led to discussion about how the issue could be resolved in light of the fact that the council was in breach of its obligations. It was apparent that the numbers of children who could be successfully trained had been over-estimated across all three sites – a concern during SIB development which had contributed to the inclusion of the minimum referral clauses. In Lambeth the rate was around half what had been forecast, with 20% of children able to be trained rather than 40%. A further challenge was that there were differences of view about whether a child could be judged suitable or eligible for training prior to assessment, with Lambeth stakeholders arguing that this was difficult to impossible. HCT did however analyse a significant cohort of referrals from Lambeth to show that many of them could not possibly have been eligible, for example because they were already travelling independently when referred – see details in section 4 and Annex 3.

Whatever the reasons for the persistent shortfalls the effect was that all three contracts were renegotiated. Recognising that the original forecasts and targets were optimistic, the annual targets for both eligible referrals (defined as user engagements) and successful outcomes were adjusted. In addition in both Lambeth and Surrey an additional payment for successful engagement in training was introduced, with the councils paying a fixed amount related to this metric in advance. The contract thus moved away from 100% payment on outcome, and spread the risk of under-referral (or unsuitable referral) more evenly between commissioners and HCT.

As noted above these changes did not significantly improve the situation in Surrey where the contract was beset by wider engagement and relationship issues. In both Lambeth and Norfolk the situation

did improve, with performance being closer to target for both engagement and training outcomes.

1.4 Successes, challenges and impacts of the SIB mechanism

We attribute the following successes of the project to it being conceived and implemented as a SIB or outcomes contract:

- **Ability to provide ITT at scale and at minimum risk to commissioners.** A key driver of the SIB was to enable ITT at greater scale than usual since commissioner payments would be on outcomes, and therefore proportionate to the number of young people successfully trained and travelling independently. This appears to have made the proposition more attractive to commissioners. It also meant that the contracts potentially offered better value for money than an equivalent conventional or in-house contract, under which the commissioners would have to pay for the service irrespective of performance.
- **Ability to promote and create a replicable model.** The HCT SIB was a qualified success in achieving this aim, since three contracts were placed. It is probable, but not certain, that this could not have been achieved without the initial start-up capital and ongoing finance from investors, and support provided by BFM, without which HCT would have had to commit its own capital to business development, at much greater risk. However there were no new contracts funded through the SIB after June 2018, which suggests that the model was not attractive enough to overcome some of the other challenges of commissioning and delivering ITT. In addition some LAs appear to have preferred to commission ITT in-house, despite the advantages of an outcomes-based model noted above.

The model also led to significant challenges including:

- **Optimistic modelling and forecasting of suitable referrals.** All three contracts fell short of the level of referrals (or to be precise, referrals suitable for ITT) assumed in the initial business cases developed during the SIB design phase. This was a known risk which HCT tried to mitigate both by involving the commissioners in the analysis of likely volumes, and by building in minimum referral numbers in contracts. However both these mitigations had limited success, and it is hard to escape the conclusion that there was a degree of optimism bias in the business case forecasts. Fundamentally, and irrespective of other issues, there appears to have been a mismatch between forecast 'suitable' referrals and those that existed in practice. We note that many contracts and projects, of all types, exhibit such bias, which is why it is recognised in Treasury guidance as an issue that should be identified and where possible mitigated.⁷

Once it became clear from data on actuals that the run-rate of referrals was likely to be lower than forecast, the parties were able to resolve this issue, and renegotiate the contracts to reflect lower outcome forecasts. However the very fact that everyone seems to have been aware that there was risk in the original forecasts makes it all the more important, in our view, that they were de-risked to reflect possible optimism bias.

⁷ The Treasury has issued guidance that supplements the 'Green Book' and defines optimism bias as 'a demonstrated, systematic, tendency for project appraisers to be overly optimistic'. It advises that appraiser should 'make explicit, empirically based adjustments to the estimates of a project's costs, benefits, and duration, to avoid optimism bias. See: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/191507/Optimism_bias.pdf

– **Commissioner and other stakeholder engagement issues.** In Surrey a lack of commitment to the contract, exacerbated by frequent turnover of lead personnel, appears to have undermined the contract from the start. In Lambeth, the team managing the contract were not the team that had originally commissioned it, nor worked with HCT to design the contract, and they appear to have disagreed with HCT about the adequacy of referral volumes and the suitability of those referred to the ITT programme. In Norfolk, the lead commissioner with responsibility for SEND transport was fully committed to the project to its end, but there were challenges elsewhere – the resistance of schools was hard to overcome, and the lack of buy-in by Children’s Services appears to have made it difficult to secure wider cultural acceptance of ITT as a viable option for many young people with SEND.

Commissioner and other key stakeholder engagement has been a factor in nearly all the SIBs and outcomes contracts we have evaluated, and it can be argued (as we have ourselves in this evaluation and in other research) that getting this right is equally important in conventional contracts. However it again seems to matter more in SIBs – both because there are likely to be more stakeholders involved, working together for longer;

and because the consequences of getting it wrong are likely to be greater, and felt much more quickly. If issues are not quickly resolved it can have greater financial consequences, because payment is more closely aligned to performance (though this is arguably a good thing, and a key benefit of outcomes contracts in that underperformance is quickly identified, and because it has consequences is equally quickly addressed).

Since the impact of these projects was much lower than expected, the obvious and simplistic conclusion is that they presented poor value for money. However it is arguable that the SIB approach did offer better value for money than the same intervention delivered through a conventional contract, since the commissioners would then have had to pay for the service despite the performance issues – which were heavily linked to referrals, and therefore would have been no different under an alternative contract or funding structure. Since payment was linked to outcomes under these contracts, the reduced effectiveness of the projects was matched – for the commissioners – by lower costs. In addition, and for similar reasons, while the project achieved nowhere near the scale of savings and costs avoided originally envisaged, the benefits from savings and avoided costs exceeded commissioner payments by a ratio of nearly 2 to 1.

1.5 Legacy and sustainability

Even though HCT ended all these contracts sooner than planned, and was forced to withdraw entirely from ITT due to the ongoing effects of COVID-19, the HCT SIB project does have a positive legacy in both Norfolk and Lambeth:

– Stakeholders in both councils were sufficiently impressed by the outcome of these contracts to consider continuing to provide ITT through different arrangements; and

– Both councils have also taken learning from this SIB into other SIBs and outcomes contracts that they have implemented, with Norfolk having implemented three projects under the Life Chances Fund (all supported by investment from BFM); and Lambeth being lead local commissioner on another CBO-funded SIB, the Zero HIV project, led by the Elton John Aids Foundation across the London Boroughs of Lambeth, Southwark and Lewisham. This project has also been reviewed in depth under this evaluation and the final report can be found [here](#).

1.6 Conclusions

If outturn performance is compared objectively and somewhat simplistically to plan, all three projects that comprise the HCT ITT family must be assessed as not very successful. As is common with the projects that we have reviewed under this evaluation, however, a full assessment produces more nuanced conclusions, in that:

- **The projects helped many young people with SEND to travel independently**, and did so in a range of challenging environments, notably Norfolk, where the size of the county and sparsity of public transport makes independent travel doubly difficult.
- **The contracts offered reasonable value for money**, even though they achieved much lower outcomes than forecast. The effect of outcomes contracts was that both the costs to the commissioners, and the benefits in savings and avoided costs, were proportionate to the number of young people trained. The three commissioning LAs planned to spend nearly £2.9m on outcome payments, but due to disappointing performance spent only £736,000. Had they spent the planned sum on an in-house service or fixed-price contract, the cost per child trained would have been nearly four times greater – nearly £28k compared to £7k per child trained.
- **The project did largely achieve its main objectives:** to test whether ITT could be attempted at greater scale through outcomes contracts; and to create a relatively simple SIB model that could be replicated across multiple commissioners.

As to why the contracts were unsuccessful, a share of the blame must lie with the COVID-19 pandemic and associated restrictions, which in the latter stages of these contracts made travel to school by public transport both irrelevant and undesirable. However the Surrey contract had already closed before COVID-19 had any effect, and both the Norfolk and Lambeth contracts experienced major challenges almost as soon as they started:

- **A common challenge in Lambeth and Norfolk was that referrals were close to plan, but the number of referrals that proved to be suitable for training was around half what was expected.** The contract with Lambeth aimed to avoid this by putting obligations on the council to refer enough young people who could be trained successfully, while in Norfolk the HCT team was part of the referral process. However in neither case did this entirely solve the problem: in Lambeth the Council's obligations were either not fully understood or could not be achieved. In Norfolk there were challenges in overcoming stakeholder resistance to ITT, from parents, from receiving schools, and from the council's own Children's Services Department.
- **In Surrey there were frequent changes of lead commissioner.** This meant that the contract was never fully understood and did not have commitment across the authority, so even the base referral level was well below what was expected. Despite putting in place the same obligations on the Council as in Lambeth, this contract never really got off the ground, experiencing issues that we have observed in other SIBs – constant staff churn leading to a critical level of stakeholder disengagement.

In Lambeth and Norfolk, much was learnt about the challenges of delivering ITT successfully and the contracts were renegotiated in 2019 to reflect learning (as was Surrey, but with less success). There is evidence that performance did improve, especially in Lambeth, and that the introduction of a payment model that blended a fixed payment for assessment with outcomes payments for children successfully trained, might have proved a better model in the long run. However the subsequent impact of COVID-19 and withdrawal of HCT from the ITT sector leaves this hypothesis unproven.

There are also important lessons both for ITT projects and for other SIBs and outcomes contracts from this project. They include the following:

- **Aim to avoid optimism bias in business case assumptions.** It is important to make realistic base case assumptions since both providers and commissioners may have an incentive to over-estimate success, and may have different and subjective interpretations of how much work is needed and is possible to 'stress test' assumptions prior to project implementation.
- **Appropriate referrals are as important as outcomes, if not more so.** Even if you have 100% confidence in your ability to deliver an intervention, outcomes will fall short of forecasts if there are not enough referrals, or the people referred do not have the right characteristics to take advantage of, and benefit from that intervention.
- **Contractual obligations do not guarantee delivery.** This project was among the first SIBs to write minimum referral obligations into social outcomes contracts. This was not entirely successful, partly due to disagreement about what constituted a suitable and eligible referral and partly to an apparent misunderstanding of obligations. An arguably bigger lesson is that contractual obligations are useful for assigning liability when in dispute or default, but are not always an effective mechanism for achieving good results. This is more likely to be achieved through active engagement and collaboration, and building strong relationships.
- **Stakeholder engagement is critical.** This is a constant theme of all our reports under this evaluation. You need to start engaging early, engage consistently and frequently, and then keep doing so because there is bound to be staff churn. It is also important to ensure that you engage with all stakeholders with significant influence over the success of the project.
- **Provider-led projects have risks.** As we have observed in other reviews, the challenges of effective stakeholder engagement are intensified when a project is 'provider-led', with either a VCSE like HCT or a specialist intermediary developing the operational model and then 'selling' that model to prospective commissioners. This has risk for both sides but especially for providers, since a commissioner can engage in the development process with relatively little 'skin in the game'. They may also not be as committed to the project as they would be if they had developed it themselves, and will probably not understand the assumptions that lie behind the business case for the project as well as they would if they had been in the lead.
- **Aim to keep the same commissioning staff in post through the design and implementation process.** Otherwise you can lose momentum and a lot of hard work can be wasted, as appears to have happened in Surrey. If staff cannot be retained and changes are unavoidable, make sure that there is a clear audit trail of all major decisions and that incoming staff have a full handover from predecessors who understand the rationale and logic behind the project and its components.
- **Ensure that commissioners have a full understanding of the proposed business model and its underlying assumptions.** Commissioners need to assess fully whether the logic model underlying this sort of project is viable in the local context, and that they have a shared understanding of what needs to happen for the model to work effectively. This is particularly important in a SIB or outcomes contract because of the risks to all parties if the outcome price is incorrectly calibrated or the proportion of payment linked to outcomes is not viable.

2.0 Introduction

This review forms part of the evaluation of the Commissioning Better Outcomes (CBO) programme and is the final review of the HCT Independent

travel training social impact bond (SIB). A previous review of this project, and other reports from the CBO evaluation, can be found [here](#).

2.1 The Commissioning Better Outcomes Programme

The CBO programme is funded by The National Lottery Community Fund and has a mission to support the development of more social impact bonds (SIBs) and other outcome-based commissioning (OBC)⁸ models in England. The programme launched in 2013 and closed to new applications in 2016, although it will continue to operate until 2024. It originally made up to £40m available to pay for a proportion of outcomes payments for SIBs and similar OBC models in complex policy areas. It also funded support to develop robust OBC proposals and applications to the programme. The project that is the subject of this review, HCT Independent Travel Training, was part-funded by the CBO programme.

The CBO programme has four objectives:

- Improve the skills and confidence of commissioners with regards to the development of SIBs.
- Increased early intervention and 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, can access new forms of finance to reach more people.
- Increased learning and an enhanced collective understanding of how to develop and deliver successful SIBs/OBC.

The CBO evaluation is focusing on answering three key questions:

- 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, as well as what more The National Lottery Community Fund and other stakeholders could do to meet this aim.

⁸ Outcomes-based commissioning 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. There is extensive literature on government's use of outcomes-based approaches – see for example this [National Audit Office](#) report

2.2 What do we mean by a SIB and the SIB effect?

SIBs are a form of outcomes-based commissioning. There is no generally accepted definition of a SIB beyond the minimum requirements that it should involve payment for outcomes and any investment

required should be raised from investors. The Government Outcomes Lab (GO Lab) defines impact bonds, including SIBs, as follows:

“Impact bonds are outcome-based contracts that incorporate the use of private funding from investors to cover the upfront capital required for a provider to set up and deliver a service. The service is set out to achieve measurable outcomes established by the commissioning authority (or outcome payer) and the investor is repaid only if these outcomes are achieved. Impact bonds encompass both social impact bonds and development impact bonds.”⁹

SIBs differ greatly in their structure and there is variation in the extent to which their components are included in the contract. For this report, when we talk about the ‘SIB’ and the ‘SIB effect’, we are considering how different elements have been included, namely, the payment on outcomes

contract – or Payment by Results (PbR)¹⁰, capital from social investors, and approach to performance management, and the extent to which each component is directly related to, or acting as a catalyst for, the observations we are making about the project.

2.3 The in-depth reviews

A key element of the CBO evaluation is our nine in-depth reviews, with the HCT Independent Travel Training (ITT) project featuring as one of the reviews. The purpose of the in-depth reviews is to follow the longitudinal development of a sample of projects funded by the CBO programme, conducting a review of the project up to three times during the project’s lifecycle. This is the final review of the HCT ITT SIB. The first in-depth review report focused on the development and set-up of the project and can be found [here](#). We did not conduct a second in-depth review report and this review is, therefore, the final review of the project. The main reason for there being no separate mid-point review is that all three contracts made through the SIB were terminated, and the project therefore concluded earlier than originally intended.

The reasons for this vary from contract to contract and are explained further in sections 4 and 5 of this report.

The key areas of interest in all final in-depth reviews were to understand:

- The progress the project had made since the previous visit, including progress against referral targets and outcome payments, and whether any changes had been made to delivery or the structure of the project, and why.
- How the SIB mechanism had impacted, either positively or negatively, on service delivery, the relationships between stakeholders, outcomes, and the service users’ experiences.

⁹ See: <https://golab.bsg.ox.ac.uk/knowledge-bank/glossary/#i>

¹⁰ Payment by Results is the practice of paying providers for delivering public services based wholly or partly on the results that are achieved

- The legacy of the project, including whether the SIB mechanism and/or intervention was being continued and why/why not, and whether the SIB mechanism had led to wider ecosystem effects, such as building service provider capacity, embedding learning into other services, transforming commissioning and budgetary culture and practice etc.

For this final review, the evaluation team:

- Undertook semi-structured interviews with representatives from most of the main parties to the project, including two of the three commissioners (Lambeth and Norfolk), Bridges Fund Management, HCT and The National Lottery Community Fund. These were conducted between December 2019 and January 2021. For reasons explained later in this report we were not able to interview stakeholders from the third commissioner, Surrey County Council.

- Reviewed performance data and monitoring information supplied by the project stakeholders to The National Lottery Community Fund.
- Reviewed key documents supplied by project stakeholders.

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) and/or very similar outcome payment structures). The HCT ITT SIB is therefore a family comprising three separate projects based on contracts with the London Borough of Lambeth, Norfolk County Council and Surrey County Council.

2.4 Report structure

The remainder of the report is structured as follows:

- Section 3 provides an overview of how the project worked, including the SIB mechanism.
- Section 4 describes major developments and changes in the project since its launch, and provides information on the performance of the project against its planned metrics.
- Section 5 discusses the successes, challenges and impacts brought about by the SIB mechanism, and assesses whether it was value for money.
- Section 6 describes the sustainment and legacy of the project.
- Section 7 draws conclusions from this review.

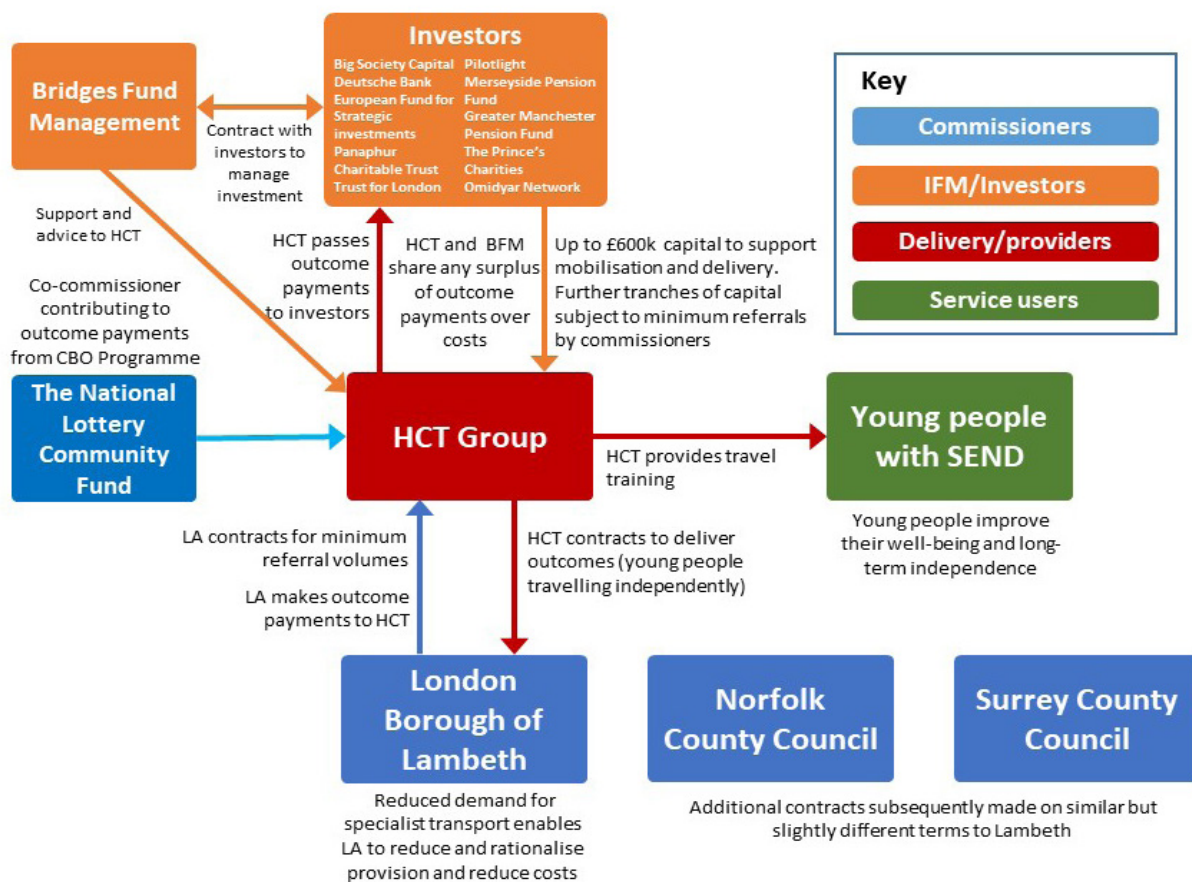
3.0 HCT travel training project overview

3.1 Set up and key stakeholders

As Figure 1 below shows, the overall structure of the project was relatively simple. There was only one provider (HCT), and although investment was provided by a number of socially motivated organisations it was managed on their behalf by Bridges Fund Management (BFM). There were then

contracts made at different times as part of a single 'family' of projects with three local authorities (LAs). In chronological order of contract start these were the London Borough of Lambeth, Norfolk County Council, and Surrey County Council (hereafter abbreviated in this report to 'Lambeth', 'Norfolk', and 'Surrey').

Figure 1: HCT travel training structure and operational flows



The most important features of the contracting and investment model were the following:

- There were separate contracts to provide travel training and receive payments for outcomes between HCT and each of the commissioning

LAs, Lambeth, Norfolk and Surrey. The contractual relationship was thus directly between HCT and each LA, with no third-party involvement, and each LA could commission HCT independently without being in any way dependent on other commissioners.

The contract with each LA required them to make a minimum number of referrals of 'suitable individuals to take part in the Travel Training'.

- The National Lottery Community Fund agreed to contribute to outcome payments as a co-commissioner, through the CBO programme. The National Lottery Community Fund initially agreed to contribute 15% of outcome payments, which was varied to 24% on contract renegotiation in 2019.
- There was a separate agreement between HCT and the investors. This specified an amount of working capital that investors would advance to HCT at the outset to enable HCT to create and launch the service. In return investors would share income from payments for outcome if and when achieved. The agreement also specified subsequent advances dependent on the volumes of 'eligible' children¹¹ referred to the service by the commissioning councils.
- Investment was made via the Social Impact Bond Fund which was created by Big Society Capital, Pilotlight and Omidyar, and raised capital from other social investors. BFM was appointed to manage this Fund through an open procurement process¹².

- The contracts with all three commissioners included terms requiring them to make a minimum number of eligible referrals each year, since there was concern about the ability of the LAs to make sufficient suitable referrals for the contracts to be viable. There was particular concern that the forecasts made during the development process (by HCT working with local commissioners) and feeding into each business case might not be robust – especially as regards the volume of referrals of sufficient children who could be successfully and safely trained.

In the view of stakeholders this last issue was critical to the success of the projects: from HCT and BFM's viewpoint it was arguable that the biggest factor from the councils' side was that they would select suitable children who could be trained safely, and would benefit from the intervention, and the councils should explain clearly the benefit of doing this for the children themselves. In the view of one stakeholder "Only the councils could do this selection and explanation task, and it was crucially important that everyone understood from the outset the need for each council to do this really effectively".

3.2 Background to the SIB and intervention

3.2.1 What is travel training?

The HCT SIB funded 'independent travel training' – subsequently referred to as ITT. This is training and support to young people with Special Educational Needs or Disabilities (SEND) – so that they can travel from home to school independently and use public transport, rather than relying on specialist transport, usually in a taxi or minibus. Local Authorities (LAs) fund this transport under a statutory duty to make transport arrangements for all children who, due to SEND, are unable to travel to school independently because of their mobility problems, or associated health and safety issues. The specific form of ITT

that was used in this case had been developed and refined by HCT Group, in consultation with service users, over a number of years. HCT Group is a significant social enterprise in the transport industry, providing over 20 million passenger trips on its buses every year across a wide variety of services ranging from community and social services transport to conventional London red buses.

As explained in detail in our first review, travel training is an established intervention, recognised as good practice and encouraged by the Department

¹¹ The precise contractual obligation was for each council to refer "a specified number of suitable individuals to take part in the Travel Training who, in the reasonable opinion of the Contractor, meet the Eligibility Criteria and who, in the reasonable opinion of the Contractor having conducted an Initial Assessment, have the Pre-requisite Skills and in the reasonable opinion of the Contractor are ready to start by the start of the first Term in such school year and in respect of whom there has been no Refusal to Participate

¹² See <https://www.bridgesfundmanagement.com/launch-of-the-bridges-social-impact-bond-fund/>

of Transport¹³ since 2011. The social case for travel training is that it promotes independence among young people with SEND, and improves both their short-term well-being and longer-term life chances, for example through increased opportunity to access healthcare services, and

increased opportunity and likelihood of entering employment or education. The financial case for travel training is that it has the potential to reduce the significant sums that Upper Tier and Unitary LAs, with responsibility for Children's Services and Education, spend on home to school transport.

3.2.2 The rationale for a SIB

The rationale for using a SIB to fund ITT was explored in our first review¹⁴ of the project, which found that stakeholders from all parties identified two key objectives of a SIB. First, it would enable ITT to be delivered at much greater scale, since most schemes are too small either to have a major social impact on young people's wellbeing and life chances, or to make a significant dent in local authority costs. The reasons why existing schemes had not scaled to help a larger number of children and unlock significant savings were not fully understood, and were likely to have been different within different settings. During our first review some stakeholders suggested that in-house schemes tended to be small because they had to be run in parallel with existing statutory provision, and therefore would always cost more in the short run. Another possible explanation was that commissioners were not confident that schemes would save money, and were therefore reluctant to commit to ITT in a big way.

What is accepted is that quite a large number of children need to be successfully trained for the schemes to save money, because existing transport provision (contracts for taxis etc) sometimes needs to be rationalised, and contracts often take time to switch off. For example to make a saving it may be necessary to replace two minibuses, each part-occupied and carrying several children from different households, with one (especially in urban areas, where the opportunities to share transport are greater). The SIB approach can help with this by introducing payment for outcomes, thus allowing the LAs to pay only when children with SEND are successfully trained to use public transport (see outcome details below). This reduces the risk of paying high fixed costs for a large training team which fails to train the expected number of children – under a SIB model, payments made would be proportionate to the number of children successfully trained. As one BFM stakeholder observed in the course of this final review:

“Many councils find that their travel training solution (often in-house) doesn't end up training anywhere near the number of children effectively that they hoped (and hence ends up being quite expensive, per child successfully trained). The whole point of these arrangements was to try to address (or at least understand) this problem.”

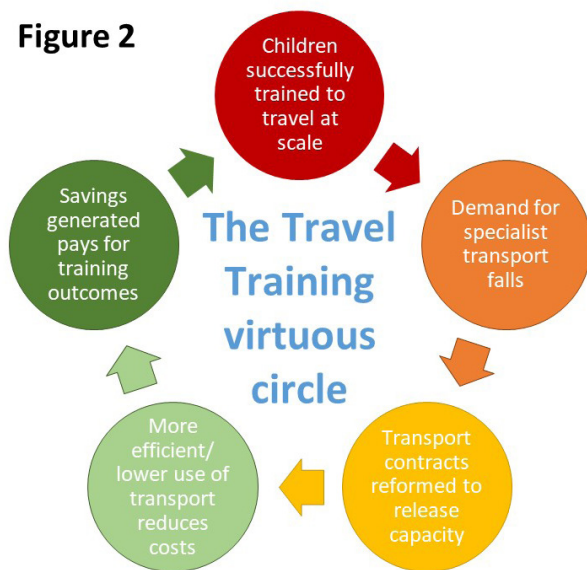
The final application to the CBO was explicit about this objective, explaining that:

“...the major innovation with this programme will be the scale of the intervention, the collaborative referral process, cashable savings mechanism and Payments by Results model.”

¹³ Travel Training: Good Practice Guidance, Department for Transport, 2011

¹⁴ See pages 7-8 of the [first review](#)

Figure 2



The LAs can thus more confidently aim to train more children and achieve greater scale, potentially leading to what might be termed a virtuous circle (See Figure 2) where more training leads to more children ceasing

3.2.3 The intervention model

The specific form of ITT that was used in this case had been developed and refined by HCT Group, in consultation with service users, over several years. It comprised the following:

- For young people who met the right criteria and were suitable for ITT, the first stage was a route and risk assessment for each individual, with a suggested route and mode of transport agreed between coordinator, trainer and trainee.
- Initially, the trainer met the trainee at their door and escorted them the entire length of the journey, covering a number of key transferrable skills along the way, including route planning, money management, road safety, personal safety and communication.
- After a varying number of sessions, according to the trainee's needs, and once the trainee had built confidence and some travel competence, the trainer arranged to meet them at a suitable point somewhere along the first part of the journey. Once this has been successfully navigated, the trainer gradually increased the amount of independent time the trainee spent on the journey until they were completing the journey alone, with the trainer shadowing.
- Once the trainee had completed an agreed number of journeys independently, including using an additional route, the co-ordinator would arrange a 'sign off' session to include the trainer, trainee and carer, and a member of the LA transport team. The training records were reviewed to check that all criteria have been met and the trainee was then signed off as independent.
- The trainee's progress was subsequently monitored and if the trainee or their carer had concerns about their continued ability to travel independently, the trainer could be called upon to repeat some sessions or cover specific skills. A different trainer or coordinator would then be asked to carry out spot checks three and six months after training to ensure the trainee was still traveling independently and safely.

to need specialist transport, and enough reduction in demand for reorganisation of transport contracts to be worthwhile, ideally producing enough savings to pay for the outcome payments and more.

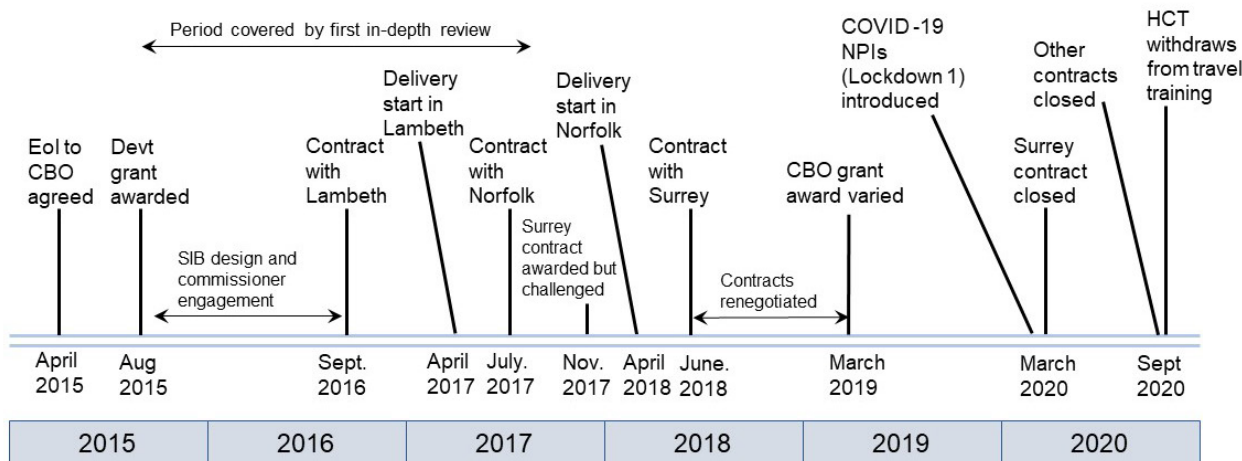
The second rationale for a SIB approach was that it enabled HCT to create a replicable approach to delivering ITT which could be sold to a number of LAs individually and successively. It is arguable that this could have been done using a conventional 'fee for service' contract approach, since HCT had provided ITT through such contracts prior to this SIB, but the SIB model meant that there was less risk to both HCT (who could fund expansion with working capital and expertise from their social investment partner, Bridges Fund Management) and to commissioners (who could make payments proportionate to the number of children successfully trained). As explained further below, this replicable approach led to successive contracts with Lambeth, Norfolk, and Surrey.

3.3 Development and implementation process

This section summarises the process of developing the SIB and engaging different commissioners as stakeholders willing to enter into a contract.. Further details of this process can be found in the first review

of the project already referenced above. Figure 3 provides a summary of the overall development and implementation timeline, including post-contract events described further in section 4 of this report.

Figure 3: Project timeline



3.3.1 Overview

The process of developing this SIB was led throughout by HCT Group and it is therefore one of several that we have reviewed as part of this evaluation whose design and development has been ‘provider-led’ – i.e. they have been conceived and developed by providers (or

sometimes specialist intermediaries) which then aimed to engage commissioners willing and able to pay for outcomes. This is a key feature of the SIB and an important one in ensuring commissioner engagement, as one Norfolk stakeholder acknowledged:

“There were a number of attractions to us but we probably would not have gone down the SIB route if HCT had not approached us”

Commissioner stakeholder, Norfolk County Council

HCT was already active in the provision of ITT on a small scale and saw the opportunity both to use a SIB mechanism to develop the ITT approach at larger scale, and to develop a SIB structure which was as

straightforward as possible and could be used to develop a replicable ‘family’ of projects over time. This was another critical feature of the project, as acknowledged by senior leadership at HCT at the time:

“Our aim was to create the simplest possible SIB with one intervention, one provider, one investor, one commissioner, and one outcome”.

Senior stakeholder, HCT Group

HCT was supported in the development of the SIB by a development grant of £101,000 from the CBO

programme, awarded in August 2015. According to data submitted to the CBO team this was used to

fund a range of activities by both HCT and external advisors, with £66k being spent on a range of advice and support from BWB, and £20k on legal advice. This was matched by in-kind support from HCT worth £38k, and pro bono legal advice from Freshfields worth £30k. Investors also advanced money to BFM to pay for their help with design, structuring, and management throughout the project.

The majority of development work was done in late 2015 and the first months of 2016, although as is often the case the full development cycle, from initiation to live running, took much longer. In Lambeth it took two years and in Norfolk it took closer to three, for reasons that we explore further below.

The key development tasks, led by HCT, were to:

- identify the potential cohort that might be suitable for ITT in each local authority area;
- develop the business and financial case for the SIB with each commissioner;
- develop an appropriate payment mechanism; and
- develop an appropriate contracting and SIB structure.

HCT engaged a number of commissioners who agreed to work with them in developing the SIB approach. Some of these, including Lambeth and Norfolk, had been identified by the time HCT applied for support to the CBO. Others came on board later,

while some of those initially identified subsequently dropped out as their priorities and commitment to the SIB model changed. HCT and BWB both commented that they had deliberately engaged with a wider pool of potential commissioners than needed to make the SIB viable, in the expectation that some of them might drop out. For example Surrey was the third commissioner to enter into a contract and was engaged relatively early, while a long-standing front runner to be an outcomes payer, Oxfordshire County Council, decided to withdraw at a relatively late stage.

HCT also engaged with investors at an early stage and invited selected investors to compete for the opportunity to support them in providing the working capital needed. HCT was a relatively experienced and large social enterprise which had previously accessed social capital from a range of sources (although this was the first time they had used social finance to support an outcomes contract). HCT was therefore comfortable speaking to investors and looking for the best deal available. The Fund Manager it selected (then Bridges Ventures, now BFM) had a previous and long-standing relationship with HCT and had previously facilitated growth capital for other parts of its business. BFM thus had a relatively high degree of trust in HCT and its management, and was actively involved in the SIB development from an early stage, making an active contribution to a number of aspects – notably the design of an appropriate operating structure and contracting model.

3.3.2 Commissioner engagement and contracting process

As described above HCT engaged successfully with three local authority commissioners, Lambeth, Norfolk and Surrey. The characteristics of these authorities are quite different and it was always HCT's intention that they should engage with different types of authority to test and demonstrate the effectiveness of the ITT model (and the benefits it creates) in different environments.

One obvious difference is that Lambeth is a London Borough and the other LAs are County Councils in 'two-tier' areas, but the more important

differences are demographic and geographic, and can be summarised as being that:

- Lambeth is an inner-city Borough with a population of 317,000 in mid-2021¹⁵. It covers less than 11 square miles and is therefore one of the most densely populated council areas in England;
- Norfolk has nearly three times the population (918,000) but across more than 2,000 square miles, and is therefore both one of the largest and most sparsely occupied council areas in England; and

¹⁵ See Office for National Statistics Population Estimates available [here](#)

- Surrey has around one third more population than Norfolk (1.21m) across less than a third of its area (642 sq. miles) and therefore has a higher density, especially in the northern part of the county where it borders Greater London. In the 2011 census Surrey had 6.8 people per hectare, compared to 113 in Lambeth and 1.6 in Norfolk.

The most important impact of these differences on the contracts is the much greater availability of public transport options as alternatives to specialist provision in Lambeth and, to a lesser extent, Surrey, compared to Norfolk. A key feature of HCT's approach was to work proactively with each LA to overcome the challenges they faced.

Lambeth was the first commissioner to commit to a contract under the SIB. They told us during our first review, consistent with the view of HCT stakeholders, that it was motivated by the potential to test the effectiveness of ITT on a much larger scale than hitherto (Lambeth already had a small-scale travel training programme in place) and by the consequent financial savings. Despite the challenges and time taken to conclude a contract, it was not apparent from our discussions with Lambeth that they had faced significant or extraordinary internal challenges in making the SIB work. This appeared to be in part because travel training as a concept was already accepted by senior decision-makers (and was also being used by other London Boroughs). One Lambeth stakeholder commented that *"The travel training service is not unique or very different to other schemes only the funding structure [of this project] is"*. However BFM stakeholders dispute that the SIB funding structure was the only distinguishing feature, and there was a view that HCT had developed a service that was better structured and managed than some other travel training services that superficially appeared to be similar.

In addition Lambeth appear to have found it easier than other commissioners (see below) to get both parents and schools on board. This was a key issue throughout the development of this project and the engagement of commissioners, since the safety of children travelling independently can be a concern both to their parents and to schools, who have a duty of care towards children while they are arriving at and are subsequently in school.

Norfolk was also engaged by HCT early in the process, and was similarly attracted by the financial case for the SIB and the savings it would potentially achieve by increased use of public transport, which could reduce demand for and the cost of local authority transport along with private taxi and mini-bus hire.

However Norfolk also saw other benefits of the SIB, including the longer-term social impact of improving the independence of young people once they leave school, and reducing the demand for contracted transport (notably private taxis) in an area where there were simply not enough available at peak times.

Norfolk did however face more challenges than Lambeth, which further delayed contract implementation. These included:

- Getting stakeholders on board and engaging their special schools in the development process. Schools had some scepticism about the SIB and feared it would undermine an existing travel training scheme (TITAN) which was (and still is) run in-house by Norfolk. This was largely a misunderstanding since TITAN was entirely separate and targeted at older children aged 16-18 traveling to college rather than school, and therefore complementary to rather than competing with the HCT project.
- Identifying whether and to what extent it would be possible to rationalise and reorganise existing transport provision to realise savings. This was seen to be a greater challenge in Norfolk than in Lambeth because of the much sparser public transport infrastructure in the county and the need to be certain that routes were available on which young people could safely travel – both because there are fewer such routes and because the risk of a route being discontinued or changing is much greater. Part of HCT's solution to this challenge was to organise new transport routes where needed.
- A reduction in the number of children identified as suitable for travel training at a late stage in the contract, which required revision to the contract and especially to the minimum referral volumes included in it.

Partly as a result of these issues procurement and mobilisation took much longer in Norfolk than in Lambeth – 20 months in the former compared to three months in the latter. In the view of some stakeholders (and with the benefit of hindsight) it might have been worth Norfolk's while to review the case for using this intervention completely at an early stage, as they and the HCT team encountered the issues above. They could then have made changes to mitigate these practical considerations, rather than continuing with the original arrangements (with periodic reviews) for the duration of the project.

3.3.3 Procurement of HCT as a provider

A notable feature of this project was the innovative use of procurement procedures to award contracts to HCT. As is not uncommon in SIBs that are 'provider-led', the commissioners had to acknowledge the need for competition and open procurement, while recognising that there was unlikely to be significant competition for the services and that HCT had invested heavily, and partly at its own risk, in developing the SIB through a co-design process with each commissioner. In some of the SIBs we have reviewed this tension has not been easily resolved.¹⁶

As we noted in our first review, these issues appear largely to have been resolved in the case of Lambeth and Norfolk by pragmatic and innovative use of the procedures available:

- In Lambeth the commissioner used a prior information notice (PIN) to advertise the contract and invite competition from other possible providers without the need for an expensive and protracted procurement process. Under the PIN approach, a full procurement process will only be needed if another provider expresses interest and believes it can compete with the provider developing the SIB – in this case HCT. Since no other providers did express interest in this

As explained above Surrey was the third commissioner to contract delivery of this service and did not do so until 2018, after completion of our first review of this project. However, Surrey was first engaged as a potential commissioner under this SIB in 2016, and as with other sites, engaged well with HCT to help them analyse data on children with SEND and current transport provision, develop a business case and agree proposed outcome payments etc. The main reason that it took so long for Surrey to contract for the service (20 months) was due to a protracted procurement process, as explained further below.

case, Lambeth and HCT were able to proceed to contract negotiations without further competition.

- In Norfolk a voluntary ex-post ante transparency (VEAT) notice was used. The VEAT process also avoids a protracted procurement, but unlike the PIN approach, requires the commissioner to declare that the provider developing the SIB is the only one available. Provided the commissioner is satisfied that the VEAT process is appropriate, therefore, and the notice is not challenged, it enables award of the contract without competition.

In Surrey, an attempt to use the PIN process became more difficult and protracted because another provider and investor did express interest. Surrey therefore had to run a competition and invite tenders from both HCT and the other provider, eventually awarding the contract to HCT.

Based in part on their experiences of using procurement procedures innovatively and imaginatively to progress these SIB contracts, HCT and BWB co-authored more general guidance on what is possible within existing procurement rules.¹⁷ This guidance was also incorporated later into advice on the procurement of SIBs¹⁸ issued by GO Lab.

¹⁶ See for example the first review under this evaluation of the Reconnections Social Impact Bond, available at <https://www.biglotteryfund.org.uk/~link.aspx?id=342D62C69C2F4A5C954A9850C3D81AAA&z=z>

¹⁷ See <https://golab.bsg.ox.ac.uk/knowledge-bank/resources/art-possible-public-procurement/>

¹⁸ See for example GO Lab guidance here https://golab.bsg.ox.ac.uk/toolkit/technical-guidance/awarding-public-contract-social-impact-bond/procurement-guide/#chapter-1-overview_16-three-ways-to-procure-sibs-and-get-value

Box 1 – Surrey procurement and contract implementation process

Surrey was first engaged as a potential commissioner under this SIB in 2016, and as with other sites, engaged well with HCT to help them analyse data on children with SEND and current transport provision, develop a business case and agree proposed outcome payments etc. HCT and Surrey agreed an approach in early 2017 and Surrey issued a Prior Information Notice (PIN) to advertise the contract and establish whether there was interest from providers other than HCT. Two additional providers were identified and Surrey commenced a 'light touch'¹⁹ procurement process in April 2017.

Surrey completed this process in August 2017 and gave notice of their intention to award the contract to HCT. However the contract was then challenged by another provider (backed by a social investor)

who claimed that the contract had been unfairly awarded to HCT. The grounds for challenge are unclear but are believed to include the suggestion that Surrey had assessed that only the HCT/BFM partnership could deliver the requirements both to provide travel training and to support the contract through social investment, whereas the competing bid could also deliver both elements.

After review of the challenge, HCT was ultimately awarded the contract in November 2017, and work started to negotiate the detailed contract. This work was not concluded until Mid-2018, with the contract finally being signed on 5th June. Delivery did not start, however, until April 2019.

3.4 Payment mechanism and outcome structure

3.4.1 Payment mechanism

Under the original payment mechanism, the only outcome to which payment was linked was that the young person with SEND was able to travel independently, with staged payments (which were slightly different in Surrey) reflecting the sustainment of this outcome. Contracts provided for:

- a first payment (which varied by commissioner) once the young person had successfully completed travel training and been signed off as able to travel independently;
- a second payment once independent travel had been sustained for one full term (subject to an independent verification spot check);
- a third payment once independent travel had been sustained for two full terms in total (again subject to a spot check); and
- a fourth payment (in Surrey only) once independent travel had been sustained for three full terms.

The measurement of this outcome was equally simple and it was thus a so-called 'binary' outcome which was either achieved or not. A measurement of the counterfactual (i.e. what might have happened to young people with SEND without the intervention) was, in HCT's view, not required when presenting evidence of outcomes achieved because it was highly predictable that absent the intervention the young person would in nearly all circumstances continue to use specialist transport (to which they were legally entitled) until their education was no longer the LA's responsibility. There was, therefore, no need to measure against a comparison or make allowance for deadweight when agreeing whether a payment was appropriate. We have not tested this assumption but it seems reasonable: the only circumstances in which a person with SEND could start to travel independently without this intervention would be if they obtained similar training privately, or the young person's special needs reduced to the point where they and their carers thought they were capable of travelling independently (and were prepared to take the risk of them doing so in preference to the safer option of specialist transport).

¹⁹ See <https://www.local.gov.uk/national-procurement-strategy/pcr-toolkit-2015/what-improvements-can-we-make-way-we-buy/light-touch> for an explanation of the 'light touch' procurement regime

Payment was originally linked 100% to the achievement of successful training outcomes which had major advantages for the commissioning councils compared to an in-house service or conventional fee for service contract. Unlike such services which are funded irrespective of the numbers trained (and may therefore be very expensive per child if they underperform) they only had to pay if children were successfully trained to travel independently.

As explained further in section 4, the payment mechanism was modified post contract once it became clear that outcomes linked to completion of training and sustainment of independent travelling were falling short of forecast volumes, due in part to not enough eligible children being referred. As part of the response to this, additional payments

triggers were introduced in Lambeth and Surrey, linked to the assessment of eligibility. These were designed to better align payments with the respective responsibilities of both HCT (to train eligible children) and the commissioning LAs (to identify eligible children and explain the potential benefits to their families) rather than putting all the risk on training outcomes irrespective of referral performance. In addition, Lambeth agreed to make retrospective payments based on assessments already completed, with the effect that they agreed to make payments of £120,000 (£2,000 per assessment or more accurately per 'contracted referral') in both 2019/20 and 2020/21. Surrey agreed to make a payment of £20,000, equivalent to 20 assessments at £1000 per assessment.

3.4.2 Investment and financial risk sharing

Investment was provided by a group of ten socially motivated organisations, managed by BFM, who were selected through a competitive process and in light of their long-standing relationship with HCT. Under the agreement between them the investors provided HCT with initial working capital to cover set up and business development costs, and subsequent payments to cover HCT's delivery costs. In return investors received a proportion of the income from outcome payments.²⁰

In addition the agreement could be used by HCT to cover working capital needed for all future contracts if they wished, but HCT retained the ability to explore alternative options for future contracts if they chose. The terms for the sharing of surplus are commercially sensitive, but we understand that they were weighted in HCT's favour (i.e. they would keep the majority of any surplus) although BFM's share would increase (while still being the minority) with each contract. The agreement was thus structured to incentivise the parties both to deliver the contracts successfully (so that outcome payments at least covered and preferably exceeded costs) and to add further contracts.

Overall, therefore, the downside outcome success rate risk (i.e. financial risk if the percentage of children who successfully completed the training was lower than

planned) lay with the investors while the upside (benefit if outcome success rate exceeded base targets) was shared between the parties. The provision of working capital by investors was, however, conditional on the respective councils referring minimum numbers of eligible children – see further details below.

The councils paid outcomes payments to HCT, with whom they held the outcomes contracts, and HCT then passed a proportion of these on to the investors. In addition, we understand that the agreement between HCT and investors made advances of capital contingent on the contracts between HCT and each council being complied with and not in breach. There were thus implications for HCT when the councils did not meet their obligations under each contract to provide the requisite number of suitable referrals (for example the Lambeth contract required the council to make 55 suitable referrals in the first year). According to stakeholders it was envisaged that HCT would then have either to rectify the breach directly with the council or come to a new agreement with investors via BFM (for example based on a smaller delivery team and lower costs). We discuss the impact of contracts being breached in this way later in this report.

²⁰ Technically this agreement was a Receivables Purchase Agreement. In essence BFM purchased the rights to defined future outcome payments in return for defined obligations to meet HCT set up and ongoing costs.

3.4.3 Performance management and governance

Unlike some SIB and outcomes-based contracts (including several where BFM manages the investment) this SIB was constructed so that responsibility for managing performance and taking action to correct any under-performance against

projections and targets lay largely with HCT as the provider and, crucially, the contract holder with each commissioner – though as noted above there were also clear responsibilities placed upon the respective councils. Essentially, as one key stakeholder observed:

“HCT is responsible for recruiting a great team, training them to deliver a great service, finding appropriate travel routes, assessing potentially suitable children, managing the service so it achieves the best results, and performing spot checks post-training to validate that children are travelling safely. The council is responsible for identifying children suitable for this service and explaining the benefits to families so enough suitable children are put forward to be assessed. The contracts tried to make these responsibilities as clear as possible - so that everyone is focusing on the things in their power to do...”

The structure of the contracts meant that performance management was expected to be ‘light touch’ compared to other more complex outcome-based contracts. Stakeholders offered different reasons for this. According to HCT and BFM stakeholders we consulted during the first review, it was a reflection of the established relationship between HCT and BFM, which meant that BFM trusted HCT to manage their own performance without extensive oversight. It was also a reflection of the contracting model, intended to enable replication and growth of the SIB family, under which contracts were between HCT and each LA commissioner, rather than, as in many SIBs, with an intermediary organisation.

During this final review, BFM stakeholders also observed that the approach reflected less need

than other projects for what they term partnership coordination or adaptive management. In their view, a strong, sometimes external performance manager is needed where there are either multiple delivery partners requiring a central coordinator, or if delivery partners are constantly adapting the service to try to find out what works best or to meet the diverse needs of individual service users. In this case neither was needed, because HCT was the only delivery partner and had all the skills and knowledge required, and the service was targeting a specific and clear objective in a well-defined way that did not need to be adapted.

We should also note that stakeholders assumed a ‘light touch’ approach would be appropriate provided contractual obligations were met – which did not happen in practice (see section 4).

3.4.4 Comparing HCT travel training with other CBO projects

The CBO evaluation team has developed a framework for analysis to compare the SIB models across the nine in-depth review projects. This draws on the SIB dimensions set out by the Government Outcomes Lab²¹, adding a sixth dimension related to cashable savings. The aim is to understand

how SIB funding mechanisms vary across CBO, and how they have evolved from their original conception. Figure 4 uses this framework to compare the HCT travel training family of projects with the average positioning for the CBO in-depth review projects across the six dimensions (Annex

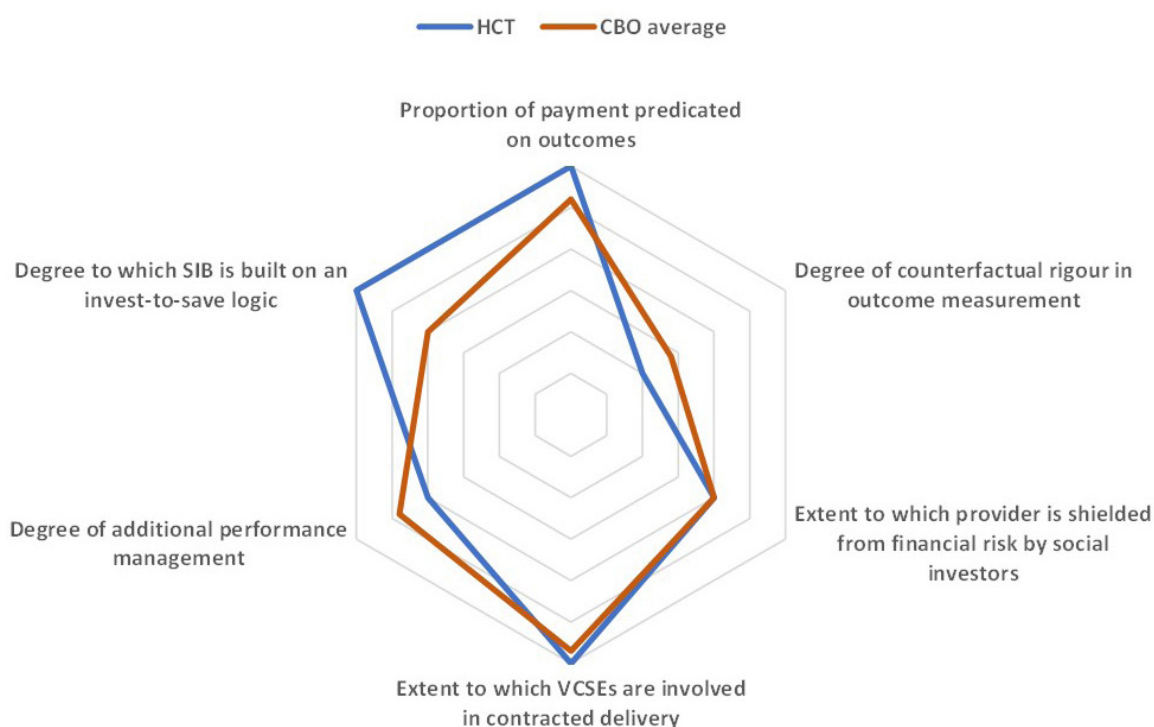
²¹ Carter, E., 2020. Debate: Would a Social Impact Bond by any other name smell as sweet? Stretching the model and why it might matter. *Public Money & Management*, 40(3), pp. 183-185. See: <https://www.tandfonline.com/doi/abs/10.1080/09540962.2020.1714288>

1 describes the dimensions and the different categories that exist within each dimension. For further information on how these categories were formulated, and the rationale behind them, see the Third Update Report from this evaluation²²).

It is important to stress that these are not value

judgements – there is no ‘optimum’ SIB design, but rather different designs to suit different contexts. It is also important to note that the assessment here is against the SIB model as originally conceived rather than how it might have evolved in practice, as discussed in section 4 below.

Figure 4: SIB dimensions in HCT travel training.



The positioning of this project against the framework shows that:

- The PbR model was, as conceived, based 100% on payment for outcomes achieved. This is typical of the CBO projects that feature as in-depth reviews: two-thirds (six out of nine) of the projects had 100% of payments attached only to outcomes. In the remaining three projects (Mental Health Employment Partnership²³, West London Zone²⁴ and Be the Change²⁵) commissioners also paid for engagements / outputs; in some of the HCT projects this element was added later as explained in section 4.3.1 below.
- **Validation method:** Payments were made for all outcomes achieved, with no impact evaluation to ensure that outcomes were attributed to the intervention. This again is typical of SIB models in CBO, and as noted above HCT thought it unnecessary in this instance because there is low likelihood of young people with SEND and dependent on home to school transport being able to travel independently without this kind

²² See <https://www.tnlcommunityfund.org.uk/media/research-documents/social-investment/CBO-3rd-update-report.pdf?mtime=20220616134448&focal=none>

²³ See <https://www.tnlcommunityfund.org.uk/media/research-documents/social-investment/MHEP-InDepth-Review-3rd-report.pdf?mtime=20231201095343&focal=none>

²⁴ See <https://www.tnlcommunityfund.org.uk/media/research-documents/social-investment/CBO-Indepth-reviews-WLZ-collective-impact-bond-3.pdf?mtime=20230518085219&focal=none>

²⁵ See https://www.tnlcommunityfund.org.uk/media/research-documents/social-investment/Be_the_change_indepth_review2.pdf?mtime=20230818142242&focal=none

of intervention. We agree with HCT's view, and can see few circumstances where a child with SEND would have started to travel independently without support. An independent measure of the counter-factual would therefore have been both unnecessary and a waste of money. It is worth adding that HCT did measure soft outcomes for individual children using its own self-developed measurement tool, the Well-being Wheel, and therefore there was a measure of outcome against a baseline, albeit one that was outwith the payment mechanism. The Wheel assessed the wellbeing of young people who had completed training across a number of dimensions. See Figure 5 below for an overview of the Wheel and Annex 2 for further details of the questions asked of young people during assessment.

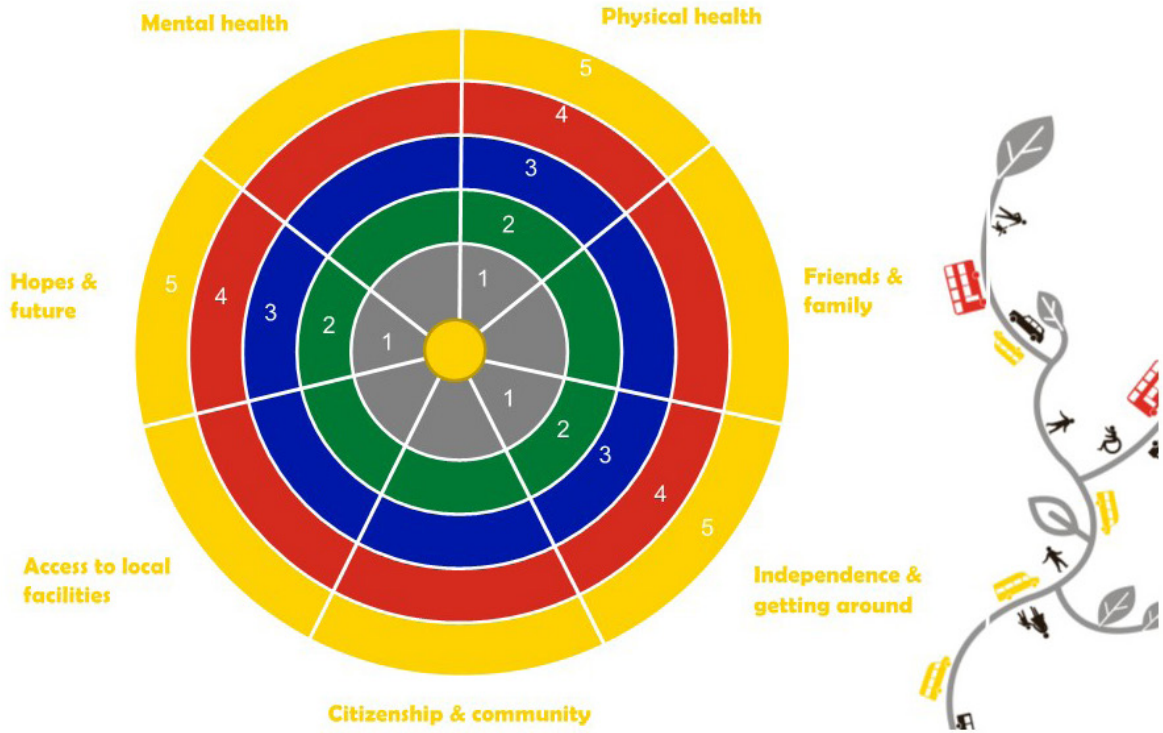
– **Provider financial risk:** HCT was shielded from some, but not all financial risk. HCT was protected from the financial risk of the target outcome success rate not being achieved, with that risk being borne by the investors under the agreement between them. HCT was not however shielded from the risk that the commissioning councils would not refer enough eligible children – which proved to be a major challenge for the project. HCT included minimum eligible referral clauses into all of its contracts with the councils to mitigate this risk. The effectiveness of these provisions relied, however, on HCT being able to demonstrate clearly and unambiguously to each council whether the children it had referred were eligible for the service or not, and thus was challenging to enforce. Overall, therefore, risk was shared between the investors and HCT. This is a feature of four out of nine of the in-depth review projects, with investors bearing all financial risk in the other five projects.

- **VCSE service delivery:** All the delivery was undertaken by a single VCSE organisation, HCT. It is the norm for delivery to be undertaken by VCSEs across the CBO in-depth review projects, although provision by a single VCSE is relatively rare; in the majority of cases there are two or more VCSE providers, which increases the need for separate management and partnership coordination. In some health sector projects there is also delivery by public sector bodies.
- **Performance management:** The SIB was designed so that HCT would be responsible for managing their own service performance. This is one of two models which are found across most CBO projects; typically, performance is either directly managed by the delivery organisation (as here), or is managed by a separate organisation. This organisation may be coordinating and managing delivery by others, and/or supporting adaptive management and may be part of the overall delivery structure or contracted separately.²⁶
- **Degree to which project is built on an 'invest-to-save' logic:** As explained earlier in section 3.2.2, the invest to save principle was important to this family of projects and key to engaging commissioners. Only one other CBO in-depth review projects was as heavily predicated on an invest to save logic, although as noted above stakeholders observed that the project had other objectives, and in practice the invest to save principle proved to be less important than originally assumed.

²⁶ See for example [Ways to Wellness](#), where Ways to Wellness Ltd is coordinating delivery of multiple partners, compared to [Mental Health Employment Partnership](#), where Social Finance was separately contracted by MHEP Ltd. to support delivery by single providers on each contract.

Figure 5: The HCT Wellbeing Wheel

Well Being Wheel



4.0 What has happened in practice

4.1 Introduction

All three contracts entered into as part of this SIB have now closed, and did so earlier than expected. The reasons for this differ between each contract, and there is also a distinction between Lambeth and Norfolk taken together (which were both underperforming but appeared to be viable contracts prior to COVID-19) and Surrey (which closed prior to COVID-19 and appears to have faced more fundamental challenges). Various actions were taken across all three contracts to address performance issues and their consequences. Further action was then taken when the Lambeth and Norfolk contracts had to respond to the impact of COVID 19.

In order to provide a full picture of what happened in practice, how it affected both performance and contracts, and the views of stakeholders as to what happened and why,

we have structured this section as follows:

- Section 4.2 describes in factual terms what happened in each local area, although we are sometimes reliant on stakeholder accounts of events which slightly differ;
- Section 4.3 describes the contractual and operational changes that were made in each area in response, including changes made in response to the impact of COVID-19;
- Section 4.4 describes how the three projects performed overall and by contract according to CBO data; and
- Section 4.5 explores the views of the SIB mechanism and of specific events expressed by key stakeholders, noting where those views differ.

4.2 What happened in each local area

4.2.1 Lambeth

The Lambeth contract started in September 2016 and it seems to have been apparent from an early stage that referrals of children suitable for travel training were below forecast. According to HCT, they knew there would inevitably be attrition between total referrals and those accepted for training (for example because some parents refuse consent) but the dropout rate was much higher than expected. The primary reason for this appears to have been that many of the referrals made to the programme by Lambeth (who were responsible for deciding who to refer) were unsuitable (or in contractual terms not 'eligible'). HCT originally thought that around 40% of those referred would be suitable for training, but ultimately it turned out to be nearer 20%. This usually became apparent when HCT assessed each person's suitability (a key part of the overall process), and a high number had to be rejected. Sometimes this was

because the child's special needs were such that they were not capable of travelling independently. Some referrals also appeared to be ineligible or inappropriate for other reasons that meant they should have not been referred – for example the young people were already travelling independently.

Two further reasons for referrals not leading to successful entry to the travel training programme were known risks that HCT was able to mitigate through its engagement strategy. These included:

- **Parental anxiety and concerns at the risks involved in independent travel.** HCT could mitigate this by communicating and working with parents to provide reassurance and explain their approach to health and safety; and

- **Schools’ resistance to engaging** – meaning HCT was unable to get into schools to deliver assessments. This was initially an issue but through HCT’s engagement strategy, it was able to develop excellent working relationships with schools once they had explained their quality measures and approach to safety, thus making assessments possible.

There were also fewer challenges to engaging parents and schools in Lambeth than in Norfolk due to the different transport infrastructure. While there are always risks, a child in Lambeth will likely be travelling with fellow students and if a bus is cancelled another will be along shortly; In Norfolk there was greater risk of a child travelling alone and, if a bus is cancelled, no other being available for some time, or even the same day. This was a concern to both parents and schools.

As explored in more detail below and in section 4.5, there is a difference of view between HCT and Lambeth stakeholders as to whether this degree of dropout should have been expected, and therefore built into the forecasts and modelling for the contract. According to HCT, it had no say in referrals made, and Lambeth were referring too many children who were clearly unsuitable or ineligible. According to Lambeth, they were happy to cooperate with HCT in a process of joint assessment (although they could not give HCT full access to their systems, as happened in Norfolk) and their view had always been that they could only make a very provisional judgment of the suitability of a child prior to detailed assessment by HCT.

Much of this difference of view appears to hinge on the fact that the suitability of a child for training to travel independently is a complex and sometimes subjective issue. According to the contract between Lambeth and HCT, Lambeth were required to refer a minimum number of ‘suitable’ referrals, who met the ‘eligibility criteria’. While most of these ‘eligibility criteria’ are fairly straightforward (age, having an SEN diagnosis etc), the young people must ‘be suitable candidates not excluded for reasons including but not limited to medical or behavioural needs’. This is a complex matter which cannot easily be assessed

at referral, as both parties appear to have accepted, and leaves room for subjective interpretation.

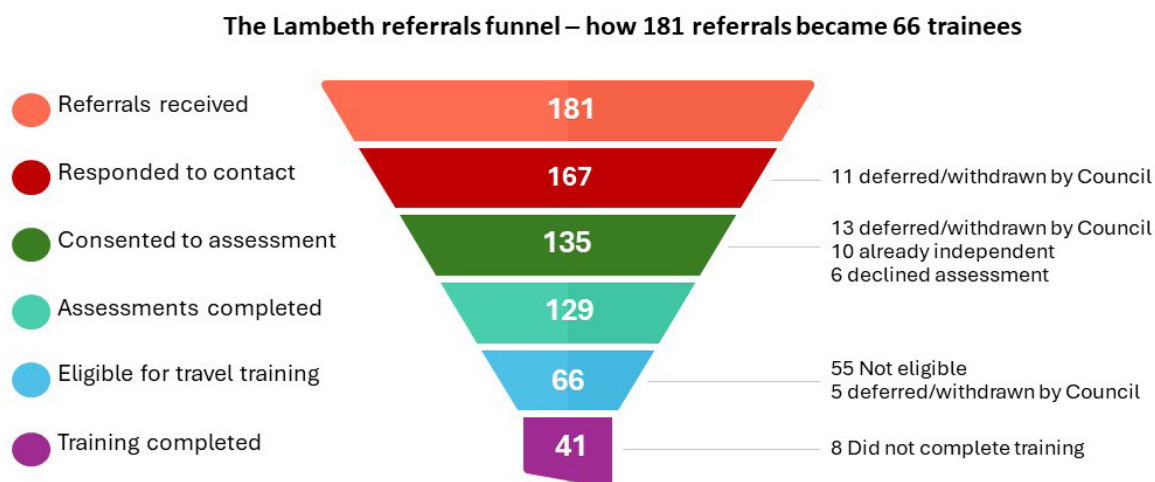
That said it is clear that while some of the criteria were subjective, others were not, and referrals were made that could not possibly have resulted in a successful training outcome. To provide evidence of this and support discussions with Lambeth stakeholders about the suitability of referrals, HCT analysed a significant sample²⁷ of referrals to show the reasons for starts, and therefore outcomes, being lower than expected. This analysis, termed the ‘Waterfall analysis’ by HCT, is summarised in Figure 6 and shown in full in Annex 3. As this shows, a total of 181 referrals received resulted in 66 young people judged eligible for training, of whom 41 were successfully trained. Of those 181 referrals only 129 completed assessment, and a high proportion of referrals were thus withdrawn or were never appropriate for training, for example because they were already travelling independently (though recorded as using specialist transport). Of the 129 who were assessed, a further 55 were judged ineligible.

Stakeholders gave us slightly different accounts of the process through which HCT and Lambeth sought to resolve these issues. We have no documentation to support these accounts other than the original contract, which puts clear obligations on both parties and sets out procedures for remedial action in the case of default. Our understanding of key events is however as follows:

- HCT held a number of meetings with the Lambeth Transport team during 2017/18 at which referrals were discussed. According to HCT they raised the general referral issue and the unsuitability of many referrals for training, as discussed above. According to Lambeth these meetings was entirely operational and focused on reviewing and discussing specific referrals, although other stakeholders observe that Lambeth should have been aware of their referral responsibilities which were clearly documented in the contract.

²⁷ Since we only have accurate data on eligible referrals for the whole project, we cannot be sure how large a sample this was of all young people referred to HCT, irrespective of eligibility. Since the sample showed 66 young people as eligible for ITT, compared to a final figure of 117 (see section 4.4.1 and Figure 8) it likely covered more than 50% of all referrals. We have no data on how the sample was selected

Figure 6 – HCT analysis of Lambeth referrals



Source: HCT analysis

- HCT and Lambeth also made positive efforts to address the issue of Lambeth being solely responsible for deciding who to refer, and there being different interpretations of suitability. In particular, Lambeth agreed that HCT’s team could visit their offices on more than one occasion to sit with the transport team and jointly review the suitability of all children on the SEN transport list. Stakeholders agreed that this did not appear to improve the suitability of referrals to a material extent.
- After several discussions HCT requested what might be described as a more formal meeting with more senior management in attendance, to discuss how the issues might be resolved. According to some HCT and BFM stakeholders this meeting was a perfectly reasonable request to discuss how the issues might be resolved. According to Lambeth this meeting was a significant and unexpected escalation and

an uncomfortable experience which, in their words ‘completely soured the relationship’.

- There is no doubt that the Lambeth commissioner stakeholders reacted badly to this meeting, as we discuss in more detail in section 4.5. Equally there is no doubt that their contractual obligations were clear, and HCT also appeared to have followed the defined process under the contract for resolving disputes – which was to “use reasonable endeavours to resolve a dispute by means of a prompt, bona fide discussion at a managerial level appropriate to the dispute in question”.
- Partly as a result of these discussions HCT, with support and advice from BFM (ultimately paid for by investors) put in place a Performance Improvement Plan and made other operational and contractual changes. We describe these changes in more detail in section 4.3.1 below.

4.2.2 Norfolk

The Norfolk contract started in July 2017 and also faced challenges in generating sufficient referrals that could be converted into outcomes. There were however some differences between the two contracts, the most important being that the HCT team was ‘embedded’ within Norfolk’s SEND transport team, with full access to Norfolk’s systems and information on children with SEND who might be suitable for training. HCT were therefore largely given discretion

to identify the children most likely to be eligible for training, subject to agreement with Norfolk, and the risk of inappropriate referral was not as great an issue.

The consensus opinion of both the HCT team and the Norfolk commissioner is that the much greater challenges for this contract were parental consent to training, and the level of engagement of individual schools in allowing assessments and cooperating

in children arriving at school on public transport. The issue of Norfolk school engagement was highlighted in our first review, and caused a significant delay in the start of the contract, but it is clear that both HCT and Norfolk under-estimated how much further resistance there would be post-contract; we comment further on this in section 4.5.3.2.

It is clear that the Norfolk commissioner was supportive and worked closely with HCT to try to address these issues, supporting HCT's engagement strategy and getting involved in direct engagement and communication with both schools and parents. These efforts appear to have improved performance in year two compared to year one although referrals remained below forecast. In addition Norfolk do not appear to have shared Lambeth's concerns (especially towards the end of the contract) about the adequacy of staffing.

A further issue highlighted by both the commissioner and the HCT team is that travel training is inherently more difficult in a very large, predominantly rural county such as Norfolk. Young people with SEND tend

to have to travel further, often taking more than one bus, and there may be no alternative route if a bus is late or cancelled, thus increasing parental concern about ITT and the risks to their child. In addition alternatives to specialist provision (mainly public buses) are both thinner on the ground and more liable to changes in timetabling, route or frequency, thus reducing the number of children for whom training is appropriate. Again we note that both of these factors were known risks, but may have been underestimated by both HCT and the commissioner when the business case for the SIB was being developed.

In the commissioner's view, these challenges might have been easier to overcome if the project and its assessment processes had been constructed differently, with more engagement and involvement from Children's Services in Norfolk, and greater emphasis on the health and other benefits to young people, rather than on savings to the SEND transport budget. These learning points are discussed further in section 5.1.2 and section 7 below.

4.2.3 Surrey

Our review of events in Surrey is limited by lack of access to local stakeholders, especially representing Surrey as a commissioner. This is because the contract had been terminated before the fieldwork for this review, and those involved had long since moved to new roles.

As already explained in section 3, the Surrey contract was awarded in June 2018 after a protracted procurement and contract negotiation process which began in April 2017. Once HCT started mobilisation of the contract in the second half of 2018 it appears that they ran into similar issues to those encountered on the other contracts, namely too few referrals and/or referrals that were inappropriate or unsuitable for travel training.

According to HCT, however, a more fundamental challenge was that it was very difficult to build a relationship and address these issues due to frequent changes of key personnel, in particular of lead commissioner. The original lead commissioner with whom HCT had worked to develop their proposition in 2016/17 had already left at this point (in April 2017,

just when the procurement started) and there were three further changes of lead commissioner between October 2018 and December 2019. HCT believed that this led to a stop/start approach to mobilisation with Surrey and team building within HCT, and made it much harder to resolve the referral issues. Eventually HCT decided to withdraw from the contract, with the agreement of BFM, and did so in March 2020.

Table 1 summarises key events during this period as recalled by HCT. As this shows, referral issues were again a key factor due to a combination of those encountered in Lambeth (unsuitable/ineligible referrals) and Norfolk (challenging parent/school engagement). It is however difficult to be sure what the detailed issues were, and to what extent they could have been resolved, because the more fundamental issues of poor commissioner engagement and frequent staff changes could not be overcome. According to HCT "the contract never got going" and they found it extremely difficult even to contact the Surrey commissioner to give formal notification of their intention to close the contract.

Table 1 – Surrey mobilisation and engagement issues

Dates	Activity
April 2017	Original Surrey Commissioning lead left
August 2017	Procurement complete but challenged
Nov 2017	HCT awarded contract. Legal work to agree contract commenced
June 2018	Contract Signed 05.06.2018. Mobilisation commenced
August 2018	HCT Contract Manager recruited
Oct 2018	2nd Commissioning lead left Oct 2018 6-month period where no travel trainers could be recruited School visits undertaken but no formal referrals made by SCC
Dec 2018	HCT Contract Manager left
Feb 2019	New HCT team recruited
Feb/Mar 2019	Contract renegotiated and extra engagement payment introduced (see details in section 4.1 of this report)
Summer - Autumn 2019	Lack of suitable referrals – ongoing conversations with 3rd commissioning lead Large scale council restructure leading to departure of commissioning lead
Dec 2019	New (4th) commissioning lead in place Dec 2019 Large list of names of potential referrals received but only a very small number considered suitable by HCT
March 2020	Contract closed

4.3 Operational and contractual changes

4.3.1 Local changes and contract renegotiation

The shortfall in referral levels compared to forecast, especially in Lambeth and Surrey, was a cause for concern to all parties. Initially there were 'business as usual' steps taken to address the issues as explained above, including discussion with the commissioners, analysis of data including the 'Waterfall analysis' to understand better the reasons for the shortfalls, and discussion between HCT and BFM as to how the situation could be improved.

An important issue with regard to the action taken is that contractual liability to deliver outcomes (and associated responsibility to manage referral and outcome performance) lay with HCT, although some of the financial risk if the predicted outcomes success rate was not achieved lay with the investors: HCT as contract holder with each LA was responsible for addressing operational issues and ultimately taking action in line with the contract terms.

According to stakeholders, when the second tranche of capital from investors was due, the councils were already in breach of their contracts with HCT (because eligible referrals were below the minimum agreed level). HCT therefore needed to find a resolution to this with each council (e.g. agree a compensation payment and/or agree a plan for increasing referral volumes). At that point HCT and BFM also needed to come to a new agreement and/or take other steps to remedy the situation before more capital could be provided – such as agree a new set of volume forecasts, with proportionally lower team costs to train them. Alternatively HCT could have discontinued the project. The steps that both parties agreed to take are outlined below; the effect of these changes on the key parties, and their relationships, is analysed further in section 4.5.

- HCT and BFM agreed to put in place a Performance Improvement Plan (PIP) in relation to the project for agreement with the commissioners. BFM also offered to support HCT in negotiating revised terms with commissioners, to incorporate what had been learned to date about likely ongoing eligible volumes of children who could be trained. HCT appointed a contractor (recommended by BFM) as Operations Manager to manage and improve performance, with HCT's existing manager (whose focus had always been on the development of new contract opportunities) no longer being involved in existing contracts.
- It is clear from our discussions with the commissioners in Lambeth and Norfolk that these changes were transparent. The implementation of a PIP was the remedial process specified in each contract, and they accepted the PIP proposals. They were also aware of the management changes, and the contract Operations Manager became the main point of contact for them.
- There was more explicit discussion with commissioners of the contractual obligations to which they had committed, including the 'set-piece' meeting with Lambeth described above. HCT led these discussions, with support from BFM where requested.
- The ultimate outcome of these discussions was renegotiation of both the Lambeth and Surrey contracts to:
 - recognise the unachievable nature of existing referral targets, and reset targets at more achievable levels; and
 - mitigate the risk to HCT of the councils not understanding or being able to meet their obligations to make suitable referrals. The renegotiation achieved this by introducing assessment and engagement payments linked to appropriate referrals made, and default payments if agreed referral levels were not achieved. The contract payments in Lambeth and Surrey were thus no longer 100% linked to the main outcome of the young person being able to travel independently.
- The changes made were most pronounced in Lambeth, where HCT accepted a much lower minimum level of suitable referrals in return for a capped payment of up to £120,000 per annum, based on an assessment and

engagement payment of £2k per eligible referral for up to 60 referrals. This payment was repayable if the service user did not engage and was unable to progress to training (and £60k was later repaid to Lambeth as a result).

- A similar assessment and engagement payment of £1,000 per eligible referral was agreed with Surrey. The existing targets for referrals in Norfolk were also lowered by agreement, without formal contract renegotiation.
- Finally HCT also asked for, and The National Lottery Community Fund agreed to, some

changes to the agreed terms of the CBO programme contribution to outcome payments. The total CBO contribution was unchanged, but the split of contributions between the contracts changed and the percentage CBO contribution to total outcome payments increased from a maximum of 15% to a maximum of 24% (because the total number of outcomes achieved was forecast to fall, while the CBO contribution stayed the same).

The effect of these changes on each of the three contracts is summarised in Table 2 below.

Table 2: Initial and renegotiated contract terms

Local Authority Provider	Lambeth		Norfolk		Surrey	
	Initial	Revised	Initial	Revised	Initial	Revised
Minimum referrals p.a.	50 in year 1 70 years 2-3	25	60 in year 1 90 years 2-3	50	70	50
Referral default point	60	15	85% of above	N/A	N/A	50
Payment if default point triggered	N/A	Payment for all 15 referrals	N/A	N/A	N/A	£1,000 per referral missed
Fixed payment	N/A	£120k based on £2k per eligible referral (60), Repayable if user did not progress.	N/A	N/A	N/A	£1,000 per eligible referral achieved (plan 20)
Discount for referrals above minimum	N/A	N/A	N/A	N/A	20% above 70 18% above 90	N/A
Contract length (years)	3	4	5	4	4	4
CBO percentage top up (median)	15%	23% backdated to April-18	16%	25%backdated to April-18	14%	22%
CBO median scenario contribution	£161,375	£193,998	491,747	£421,379	£312,277	£270.911

4.3.2 Changes to the agreement between HCT and BFM

Outside the above changes to contracts with commissioners, HCT started discussions in 2018 with BFM with a view to ending the original agreement between them. This agreement was intended to cover future contracts made as part of this family, with revenue from outcome payments shared by HCT and BFM.

HCT had however at this point formed the view that future contracts might need to follow a different model following an internal review. This found that:

- the challenges of forecasting referral volumes meant that a model based on 100% outcome payments was not viable;
- a sustainable model could be created based on a blend of referral, engagement and outcome payments, similar to the renegotiated contracts with Lambeth and Surrey; and
- under such a model, the increased cash flow from earlier payments would enable HCT to fund working capital needs from their own reserves, without external capital.

Effectively, therefore, HCT concluded that it should move to a PbR model (payments still part-based on outcomes, but with no external capital) rather than a SIB model (outcome payments plus external social investment). It thus made sense to end the existing agreement since HCT would otherwise have been sharing outcome payments in return for investment that it no longer needed.

Both parties therefore came to an informal arrangement, without changing the original financing agreement, whereby HCT shared a lower proportion

of the outcomes payment with investors than the financing agreement technically specified. According to stakeholders both parties agreed that this arrangement aligned with the intended spirit of the original financing agreement, if not the letter. Following discussions during 2020 around the amount to be shared and appropriate timescales, HCT agreed to share £158,655 of outcomes payments in monthly instalments, in addition to £121,000 already shared.

The final arrangement meant that investors were repaid the amount they had advanced to cover delivery team costs, but lost the amount which they had advanced to cover the cost of the BFM team over five years during design and delivery (which according to BFM stakeholders was significant).

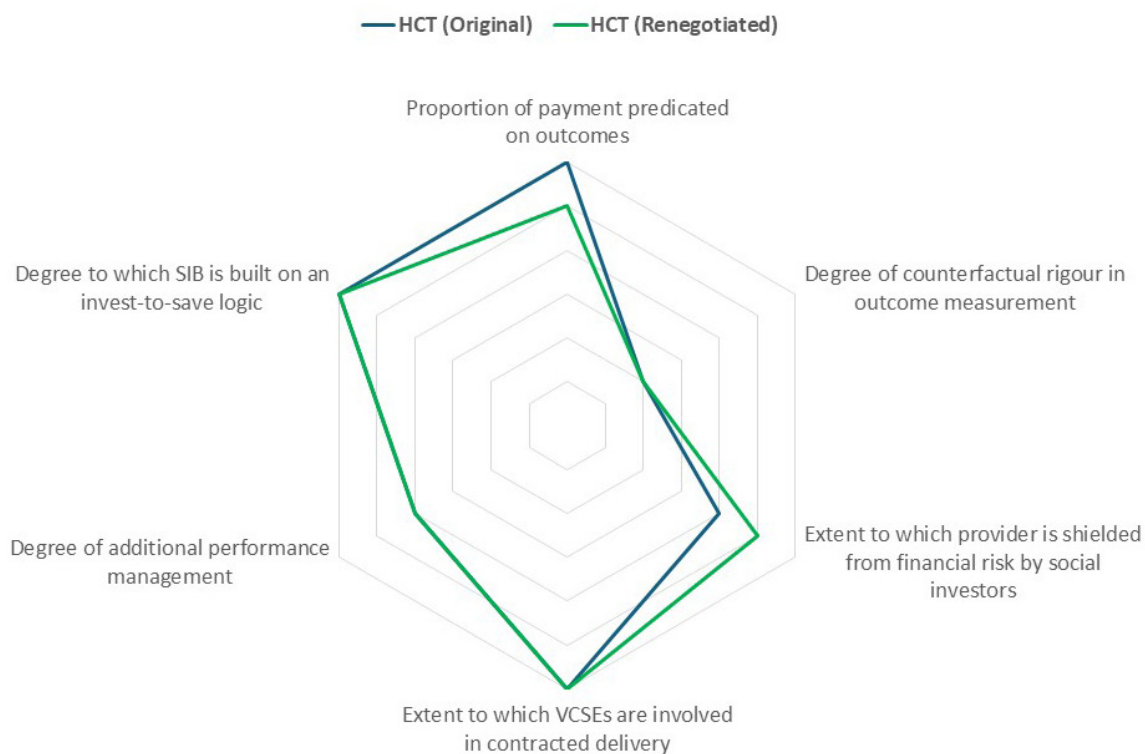
We note that evidence is mixed as to whether this PbR model would have been more successful than the SIB model. While HCT stakeholders reported interest from commissioners in the revised model, they also explained that it was never fully tested due to the impact of COVID-19 and HCT's subsequent decision to withdraw completely from the travel training market (see section 4.3.4). It also meant that HCT was unable to progress an application to the Life Chances Fund (LCF) to add a further outcome-based travel training contract with other London Boroughs, because only models involving social investment were eligible for LCF funding, HCT did explore CBO funding for this contract, but the commissioners decided not to proceed. This suggests that by this time there might already have been a loss of confidence in outcomes-based travel training, possibly due to the impact of COVID-19.

4.3.3 Effect of these changes on the project dimensions

As explained above we have developed a framework for assessing each project against six key dimensions and in section 3.4.4 we show how this project, as originally conceived, appeared against these dimensions and against the average for all CBO In-depth review projects. The contractual changes described above altered the positioning of this family of projects, and our assessment of how it appeared after renegotiation is shown in Figure 7 below. The positioning changes because:

- After renegotiation with the commissioners (except for Norfolk), payment was no longer 100% linked to the main outcome, that a child was able to travel independently; and
- HCT was no longer shielded from outcomes risk by investors, but had more protection than before under the revised contracts with commissioners, who were now sharing risk with HCT and making minimum advance payments for defined referrals.

Figure 7 – SIB dimensions in HCT travel training before and after contract renegotiation



4.3.4 Impact of COVID-19

Except for the changes to the agreement between HCT and BFM, the events described above all took place prior to COVID-19 becoming a significant issue in early 2020. Once the government imposed restrictions (colloquially known as ‘Lockdown 1’ and including the closure of schools) to deal with COVID-19 on March 23rd 2020, these projects were severely affected, and effectively had to cease operations. With schools closed, there were no children to train and no schools for them to travel to. In addition, according to stakeholders, schools, councils, and parents all believed that because of the pandemic, travelling on public transport was not in the children’s best interests, and would not be for the foreseeable future.

The impact of COVID-19 and associated restrictions was thus more severe than that experienced by most of the other outcomes-based projects within this evaluation, including other disability-focused projects funded by the CBO such as the Positive Behaviour Support projects in Bradford and Haringey, or the MHEP projects which focus on those with mental

health needs. These projects were able to continue to operate with modification to the intervention (for example using video rather than face to face contact) and/or with changes to the payment terms. In this case the intervention could not continue and even if it could have continued it was thought too risky to encourage children with SEND on to public transport.

Since the impact of COVID-19 on travel training was effectively to choke off all service demand the fact that the contracts were outcome-based and SIBs was not a significant factor; other HCT ITT projects were similarly affected and it seems certain that most if not all travel training of young people with SEND, both in-house and contracted to external providers, would have been paused during Lockdown 1. We had some confirmation of this from our discussion with Lambeth stakeholders, who confirmed that they were aware of this general effect from their contacts in other boroughs.

Neither the Lambeth nor Norfolk projects restarted during the brief period when some children returned

to school in July 2020, but the HCT Norfolk team was in discussion with the commissioner through the summer with a view to restarting travel training when schools returned in September 2020. Wider policy guidance from government to public bodies on payment of their suppliers sought to ensure service continuity during and after the COVID-19 outbreak²⁸. In line with this, Norfolk made relief payments of £42K to HCT during this period. These payments appear to have been more generous than the minima that could have been offered under the guidance, indicating Norfolk's continued commitment to the contract and the principle of travel training.

According to the Lambeth team, staff assigned to their contract were furloughed and some would have been unable to work during COVID-19 due to clinical vulnerability. Lambeth was in any case by this time expressing strong dissatisfaction with the contract, and believed that there had been little delivery since they had agreed in February 2020 to make the capped payment of up to £120,000 per annum for successful assessment of eligibility already described above. Subsequent to the fieldwork for this review Lambeth Council argued

successfully to HCT that it should be repaid one of the two payments of £120,000 that it made under the revised contract terms as assessments could not be made once delivery was suspended in March 20, and the specified assessments had not been achieved when the project programme closed.

In September 2020 HCT announced that it was ending its involvement in travel training across the board, citing the impact of COVID-19 on referral numbers, parental confidence, and attitudes to the use of public transport²⁹, and would cease operations on 21 December 2020. The Norfolk commissioner was disappointed at this decision, and both they and the Norfolk HCT team thought that the contract in Norfolk could have been sustained from September 2020. However this view would have been overtaken by events, since there were further lockdowns (with schools closed and travel on public transport strongly discouraged) in Nov-Dec 2020 and from late December 2020 until March 2021. Lambeth stakeholders told us that their main reaction to the decision was one of relief, since the relationship with HCT had deteriorated to a point that they thought was beyond recall.

4.4 Project performance

As might be expected, the early closure of these projects and the challenges described above are evident in the overall performance of the SIB family as a whole and of individual projects, as reviewed below. Except where stated, we have

compared actual performance with both the original Median scenarios agreed with the CBO at grant award, and the revised Median scenarios agreed when contracts were renegotiated in 2019.

4.4.1 Service volume – referrals and starts

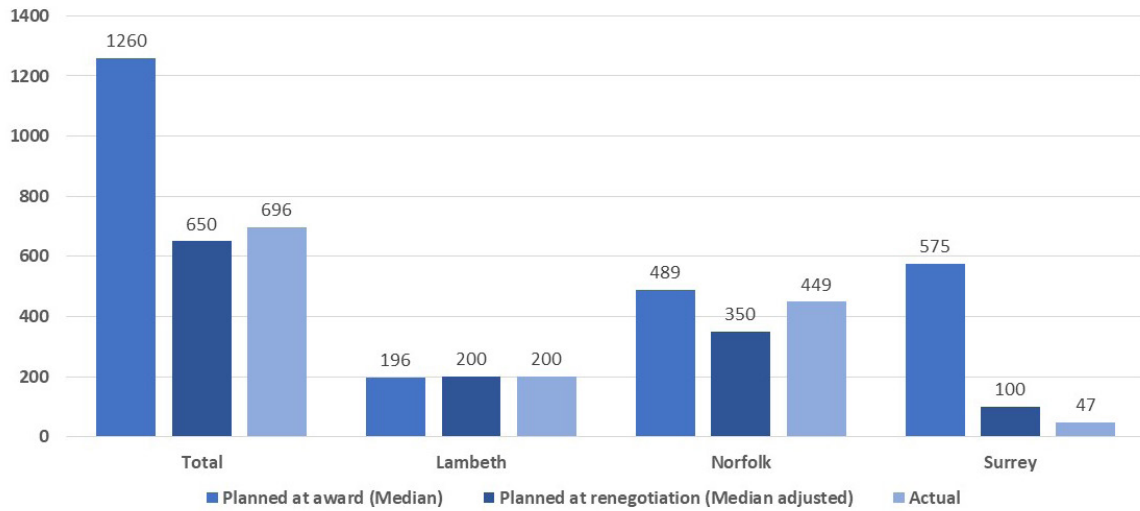
Figure 8 below shows the total cohort referred to HCT for training by each local authority and in total, as compared to plan at Median scenario. This tends to confirm what was reported to us by stakeholders, since in both Lambeth and Norfolk the numbers referred to the intervention were at or close to target (both original and renegotiated) – the issue was thus not referral volume, but the suitability of those referrals

for training. Conversely, in Surrey the number referred was well short of both original and renegotiated target – suggesting that the problem was more fundamental, as outlined above, and reflected a failure to engage with the service and make referrals in the first place.

²⁸ See Procurement Policy Note (PPN) 02/20 at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/874178/PPN_02_20_Supplier_Relief_due_to_Covid19.pdf

²⁹ See 'Independent Travel Training by HCT group comes to an end' at http://www.travel-training.org/independent_travel_training/surrey#

Figure 8 – Service user referrals by LA contract and in total

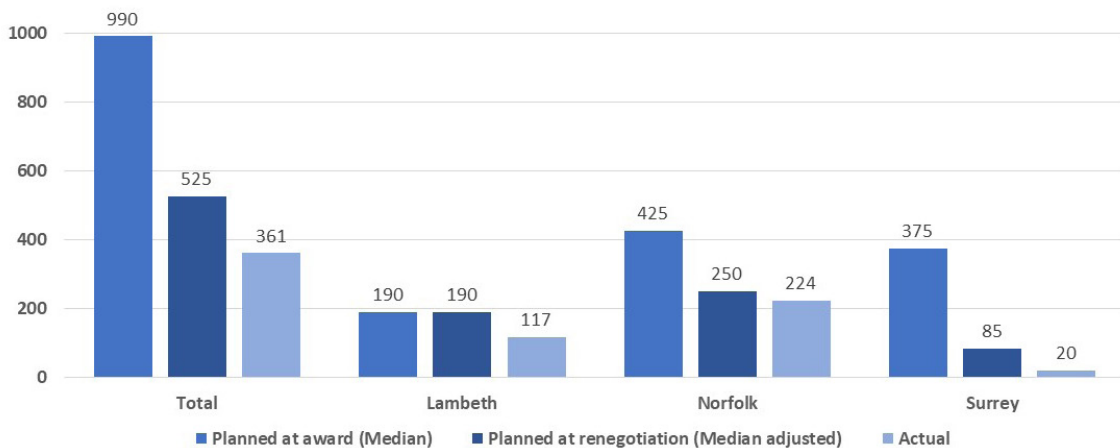


Source: CBO End of Grant (EOG) monitoring information as reconciled and agreed with HCT

Figure 9 below shows the numbers actually engaged by contract and in total – that is the number of children referred who were considered suitable for training. This highlights the issue of ‘ineligible referrals’ in Lambeth, While the number starting training in Norfolk remained close to Median target, it was significantly lower in Lambeth, which tends to confirm HCT’s own research that a high proportion of referrals could not be trained successfully. It also suggests that the target for starts

as a proportion of referrals was unrealistic in Lambeth compared to the other sites, since the target for starts was 95% of the referrals target (190 compared to 200) whereas in Norfolk it was 71% (250/350) and in Surrey 85% (85/100). Arguably only the Norfolk contract assumed a reasonable attrition rate, though it is hard to be certain about Surrey given that both referral and engagement were so far below plan.

Figure 9 – Service users engaged by LA contract and in total across all three sites



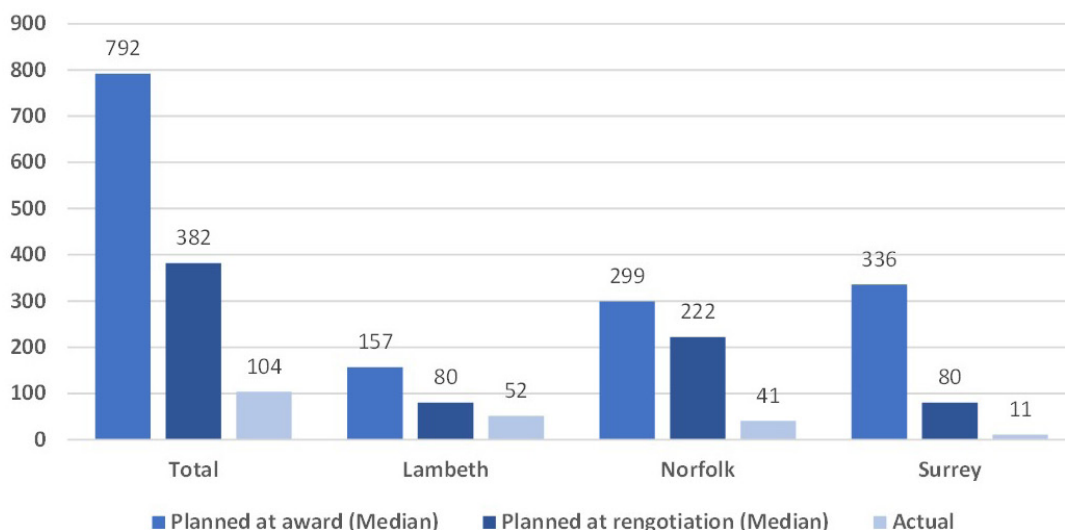
4.4.2 Outcome performance

The fact that many referrals were ineligible or unsuitable for training is also shown in the performance of the contracts in achieving the main outcome of young people successfully trained to travel independently³⁰. On this metric (see Figure 10) performance was significantly below plan at Median scenario at both CBO award and following contract renegotiation. This holds true across all three contracts although performance in Lambeth did improve following contract renegotiation, with 52 of a target of 80 outcomes being achieved. Performance

in Norfolk was also well below target, indicating that despite a joint referral process other factors – such as the availability of public transport – made it equally if not more challenging to enable independent travel.

What is not shown in Figure 10 is performance against the additional outcome metric of eligible referrals introduced in Lambeth and Surrey at contract negotiation (see Table 2 in section 4.3.1). In Lambeth performance against this metric was 50% of target (30 vs a target of 60) while in Surrey the target of 20 was 100% achieved.

Figure 10 – Outcomes achieved by LA contract and in total



Source: CBO EOG monitoring information as reconciled and agreed with HCT

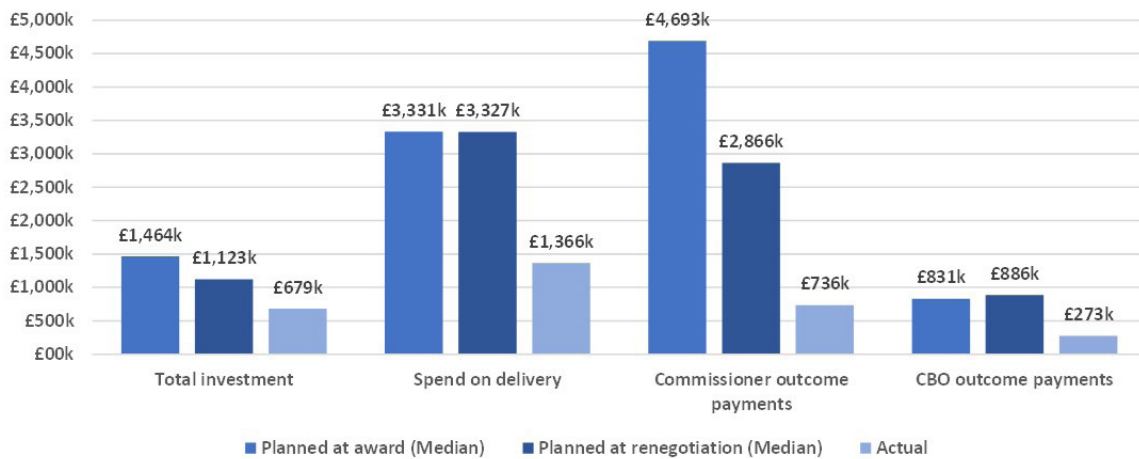
³⁰ The figures shown here are those for the first outcome trigger – i.e. young people able to travel independently for at least one term.

4.4.3 Costs, payments and investor returns

A similar picture emerges from the key financial metrics, due to the projects falling short of outcome projections and then closing before the end of planned contract periods. Figure 11 compares actual spend against plan at Median scenario for the SIB family as

a whole across key metrics, including total investment made, delivery spend and outcome payments made, both by local commissioners and CBO.

Figure 11 – Actual vs planned performance across CBO financial metrics



Source: CBO EOG monitoring information as reconciled and agreed with HCT, supplementary data provided by BFM

As Figure 10 shows the project was below both original and renegotiated plan at Median scenario across all metrics. The actual amount invested (£679k) was repaid but as reported earlier this was less than originally agreed with investors and there was an overall capital loss of £443k as shown in Table 3 below. The negative return is equivalent to a money multiple (MM) of 0.61 and to an

internal rate of return (IRR) of -21%, compared to planned MM of 1.62 and an IRR of around 8%.

The project did however perform better in terms of savings made and costs avoided by commissioners (see separate analysis in 4.4.4 below).

Table 3: SIB income and expenditure and overall investment position

Item	Median plan at award	Median plan at renegotiation	Actual
SIB income			
LA outcome payments	£4,693,013	£2,865,558	£735,500
CBO outcome payments	£831,489	£886,288	£272,553 ³¹
Total income	£5,524,502	£3,751,846	£1,008,053
SIB expenditure			
Service delivery	£3,330,598	£3,327,220	£1,366,000
SIB management	£1,133,500 £1,038,972	£207,489	£93,000
Investment return	£235,800	£217,137	£0
Total costs	£4,605,370	£3,751,846	£1,459,000
Net surplus / (loss)	£919,932	£0	(£443,272)

4.4.4 Savings made and costs avoided by commissioners

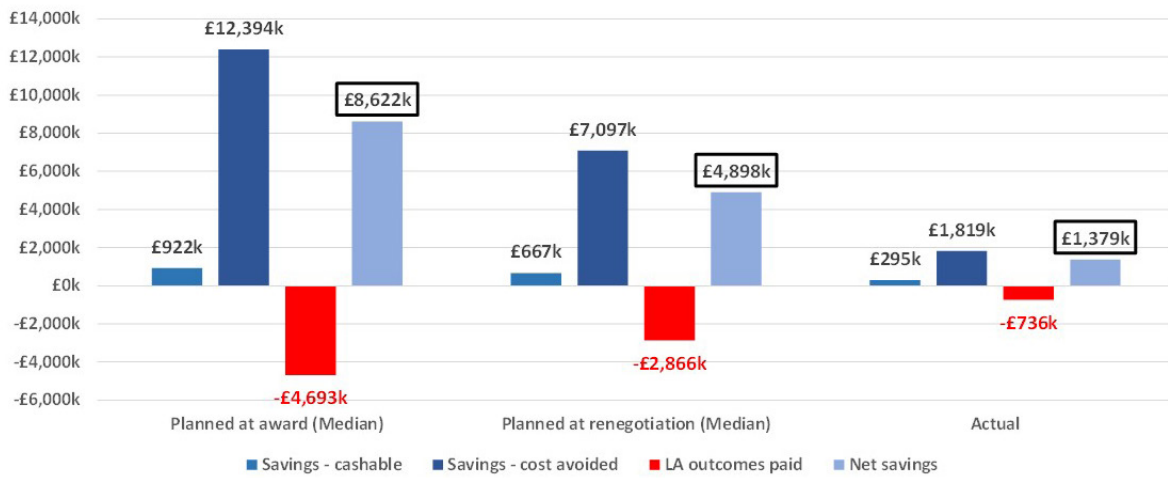
Since the volume of children trained was below plan the estimated value of each contract to its respective commissioner, in cashable savings and avoided costs, was also well below plan. However since the commissioners also paid much less in outcome payments than plan the contracts still created value for commissioners that significantly exceeded their costs. Figure 12 shows both the gross value to each commissioner and the value

net of outcome payments made. As this shows, total savings and avoided costs, as estimated by HCT at end of grant, exceeded outcome payments by £1,379k. Based on these figures the Benefit Cost Ratio (BCR) before CBO payments was 1.87, although we do not have enough information on assumptions made to be able to validate the estimates of savings and avoided costs made by HCT³².

³¹ Total CBO outcome payments should have been £280,228 but HCT did not claim £7,675 to which they were entitled

³² Please also note that we have not converted costs or savings to net present value in accordance with HM Treasury 'Green Book' guidance. See [The Green Book \(publishing.service.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/348422/The_Green_Book.pdf)

Figure 12 – Savings to and costs avoided by commissioners



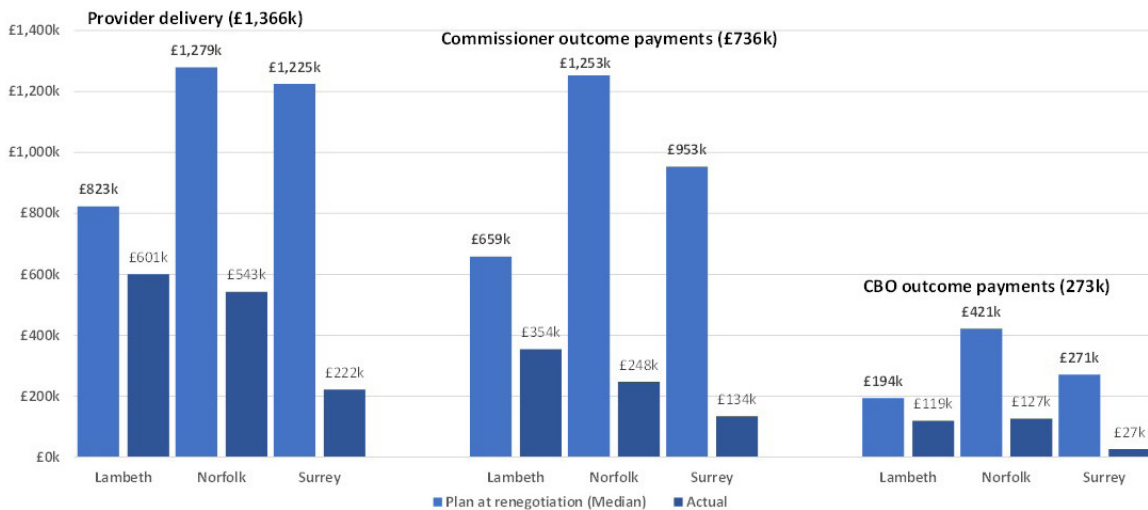
Source: CBO EOG monitoring information as reconciled and agreed with HCT

4.4.5 Spending and payments by commissioner

Figure 13 compares actual spend against Median scenario at renegotiation only, for each contract and for the same metrics except

savings and investment, which can only be notionally allocated to individual projects.

Figure 13 – Delivery spend and outcome payments by commissioner



Sources: CBO EOG monitoring information as reconciled and agreed with HCT, and CBO award assessment information

4.5 Stakeholder experiences

This section reports the views and experiences of stakeholders interviewed during this review, including HCT as provider, BFM as investment manager, the Lambeth and Norfolk commissioners, and The National Lottery Community Fund CBO team.

The experiences of all these parties are dominated

by their involvement in the events described above during contract implementation, and efforts first to improve performance (especially around referrals) and then renegotiate contracts. As might be expected there are differences of view on how some issues were and should have been dealt with, but strong consensus on other issues.

4.5.1 Service provider experience

HCT was an experienced provider of travel services and had a long and established relationship with BFM at the start of this project. Under its former name of Bridges Ventures, BFM had supported and facilitated investment into HCT over a number of years to enable its growth across a range of services from community transport to mainstream buses, and was the natural partner of HCT in this SIB (although it was appointed only after a competition with other potential investment partners).

We have had slightly different accounts of the extent to which this relationship was affected by working together to deliver travel training. According to one HCT stakeholder there was some disagreement between HCT and BFM about the extent to which the shortfall in referrals compared to forecasts, as described in section 3, was beyond HCT's control. According to this stakeholder BFM initially thought that HCT could have done more to increase referral numbers and, in the case of Lambeth, more robustly remind the commissioner of their contractual obligations to provide a minimum volume of suitable referrals. According to BFM, however, they simply wanted to understand the detailed reasons for the shortfall of starts vs referrals, before deciding what action might be best to take for each category of shortfall; their role was supportive and simply to help HCT overcome the issues it faced, especially in delivering the Lambeth and Surrey contracts.

They encouraged HCT to analyse better how and why referrals were lower than plan, which led to the analysis of referrals already summarised in Section 4.2.1 and Figure 4, which BFM thought extremely useful and "one of the best examples of this kind of analysis we have ever seen".

HCT was also the contract holder and needed to decide how best to proceed when referrals continued to fall short, impacting on outcomes and ultimately on revenues. BFM supported this process by helping HCT implement the Performance Improvement Plan, and recommending a contract Operations Manager. BFM also appear to have been involved in some discussions with commissioners (when asked by HCT to join specific meetings).

HCT opted not to pursue further contracts with BFM's support, as reported in section 4.3.3, but HCT stakeholders confirm that this was for internal, strategic reasons and was not related to experience on these contracts. Both parties have explained that they worked constructively to agree a final share of outcomes payments which felt fair and reasonable to both parties, as reported above, and a former BFM partner remains on the HCT board as a trusted advisor and in a personal capacity.

4.5.2 Investor/IFM experience

Despite the issues faced by HCT in delivering these contracts successfully, BFM stakeholders appeared broadly to have a positive view of both the relationship with HCT and of these contracts. In their view, the project delivered positive outcomes for many young people with SEND, and there was much learning about the challenges of delivering travel training successfully.

As explained above BFM were also taking slightly

more of a 'back seat' than they do in some projects that we have reviewed under this evaluation, since HCT was the contract holder in all three LAs and was therefore the party making key decisions. According to BFM stakeholders this was in part because BFM had a high degree of trust in HCT and its management, but also and mainly because, in the words of one BFM stakeholder:

“...the service simply didn't need a 'partnership coordinator' like others do, and we felt it didn't need as much 'adaptive management' as more complicated services which need regular changes and personalisation to get the best from them.”

Reflecting with hindsight in the course of this review, BFM stakeholders thought that the main issue faced by the contracts was the inability to achieve enough suitable referrals and thus train enough children. While not directly managing the contracts themselves, BFM attribute this to two main factors:

- The fact that the data held by the councils on

their cohorts of SEND and their suitability for training was not as reliable as expected, meaning that the volume targets of children who could be safely trained were too optimistic; and

- Some council stakeholders not fully understanding their responsibilities to identify suitable children, possibly due to staff changes.

4.5.3 Commissioner experience

4.5.3.1 Lambeth

Commissioner stakeholders in Lambeth were interviewed later than other stakeholders, in part because they were reluctant to be interviewed for some months while they were in contractual dispute with HCT. This indicates the extent to which the relationship between the parties deteriorated.

The reasons why the Lambeth commissioner was unhappy with this contract have already been outlined earlier in this section, but in summary they disputed the view that they were largely at fault for being unable to meet their contractual obligation to provide a sufficient number of suitable referrals, and were very disappointed with the way matters were escalated by HCT after a number of discussions about the suitability of referrals. The most important points made to use by Lambeth stakeholders were that:

- The gap between forecast and achieved referrals was, in their view, largely down to HCT having over-estimated how many children were likely to be suitable while they were engaging with Lambeth and when developing the business case, rather than the borough not identifying enough suitable candidates or referring those whom they knew to be unsuitable. Lambeth stakeholders explained that they did no more during the development phase of the SIB than produce a list of 'possibles', on which they did not, and could not, do further work to assess suitability. As one stakeholder put it to us:

“We got to a point where we were told that if they were not suitable for travel training they don't count as a referral, which I think is the fly in the ointment of this whole process, because until the assessment has happened, how would we know?”

- As noted in section 4.2.1 above it is clear that this issue revolved partly around the definition and interpretation of a 'suitable' referral. The performance data tends to reinforce this point, since the Lambeth contract met the planned target for referrals, while falling well short of the outcomes target, suggesting that too many of those referred were not eligible (in the language of the contract) for training. We should also note that HCT's 'Waterfall analysis' of a large sample of referrals, which does not appear to be disputed by Lambeth, also includes cases that were withdrawn by the Council, and others who were found already to be travelling independently.
- As already outlined, the Lambeth stakeholders were discomfited by the 'set piece' meeting that was called by HCT to address the referrals issue. It appears that the Lambeth team were not expecting this escalation, and were upset by both the tone and content of this meeting, including a presentation by HCT which one Lambeth stakeholder described as *“very aggressive and borderline offensive”*. Another Lambeth stakeholder observed that previous contract meetings in which they had been involved had been largely operational (about the suitability and circumstances of individual children) rather than contractual, and that *“when HCT called the meeting it came completely out of the blue. I felt there was a hidden agenda and it was a very uncomfortable meeting.”*
- Although Lambeth accepted the changes proposed at this point they did so “under protest” and thought that the relationship with HCT changed significantly, and in their own words “turned sour”. Although HCT was fully transparent about the operational changes they were making, Lambeth stakeholders said that they experienced a subsequent loss of transparency in the relationship.
- Both in the early stages and subsequently Lambeth thought that the adequacy of staffing (in both management and travel trainers) was a factor in the poor delivery of the contract. According to these stakeholders, HCT's arguments about the adequacy of referrals were undermined by the fact that around 50 of those originally referred to HCT had never been assessed, partly due, in their view, to inadequate staffing levels, especially in the later period of the contract. We have been unable to validate this claim but note that the final project data shows that HCT did not meet the target agreed with Lambeth for assessment and engagements under the renegotiated contract (achieving 30 out of a target of 60). They also repaid Lambeth half the block payment agreed based on this target, although it is not clear whether this was done in resolution of the contractual dispute or for other reasons.³³

4.5.3.2 Norfolk

The key stakeholder in Norfolk (with lead responsibility for SEND transport) was involved in this project from its early stages, and worked with HCT both before and through contract implementation in Norfolk. Like other sites, referrals quickly fell behind expected forecasts, but in this stakeholder's view this had

more to do with resistance from schools, and to some extent parents, than to a high proportion of referrals being unsuitable. It is evident that referrals were not the main problem since in Norfolk HCT were working within the SEND transport team, and effectively themselves choosing 'suitable' referrals.

³³ We should also note that there is uncertainty about operational management arrangements at this point in the contract, since the Contract Operations Manager had been withdrawn in early 2020 and there was apparently no backlog of assessments at this point.

HCT stakeholders supporting delivery in Norfolk confirmed this analysis of the problem, and that HCT worked closely with the Norfolk commissioner to address it. As already mentioned, the issue of Norfolk school engagement was highlighted in our first review, and caused a significant delay in the start of

the contract. Despite the efforts made then to resolve it, and apparent progress pre-contract (with schools agreeing to accept ITT) in practice it turned out that there was still considerable resistance among many schools both in principle and to the training of specific pupils. As the Norfolk commissioner observed

“It is relatively easy for a school to agree in principle to engage in travel training before a contract starts, but that does not necessarily translate into agreement in practice on individual cases.”

As we note in Section 3, the challenges of engagement with schools and parents were compounded in Norfolk by geography and the sparseness of public transport provision, both known risks when the contract started. A key feature of HCT's approach was to work with each commissioner to overcome such issues through detailed analysis of public transport options, and even arrange additional provision. There were however much greater challenges in Norfolk than in the other areas due to this. As the Norfolk stakeholder observed, routes may be discontinued at short notice, making travel by public transport impossible unless and until replaced. Even where a route exists, there may be no more than one or two services per day, compared to numerous alternatives if a service is cancelled in Lambeth or, to a lesser extent, in Surrey

Despite these challenges the collaborative approach to the contract in Norfolk appears to have been more successful than the more contractual approach taken elsewhere. Since Norfolk and HCT worked closely together they were both committed to resolving issues and the Norfolk commissioner was fully supportive of HCT's engagement strategy, for example being involved in presentations to schools. However it is interesting that the commissioner also observed that the challenge of under-referral did not affect them directly since they did not have to pay for the service unless and until outcomes were achieved – a key selling point of the SIB approach, but ultimately one that works against their commitment to turn round under-performance and achieve social outcomes.

Like HCT, Norfolk stakeholders appear to have resigned themselves to the view that the referral levels forecast prior to contract were unrealistic, and that despite their joint efforts they would have to live with lower performance and reset expectations.

Norfolk therefore agreed to the renegotiated terms but it is important to note that the Norfolk transport team remained fully committed to the contract, and fully intended to restart training in September 2020 after supporting it through the first lockdown and set of school closures caused by COVID-19.

Ultimately, in the view of the Norfolk commissioner, the challenges that they and HCT faced were always going to be difficult to overcome because travel training was not fully accepted as policy within Norfolk and embedded within the thinking of Children's Services and schools. The project was always attractive to the commissioning team responsible for arranging and funding specialist transport because it offered the prospect of improved outcomes for children and reduced pressure on the transport budget. But Children's Services had no such financial incentives, and resisted wider policy changes that would have made it easier to encourage the take up of training, including:

- amending stated policy to make clear that travel training should be an option where appropriate for the child; and
- writing a commitment to be 'travel trained' into the Health and Care Plans of individual children with SEND.

HCT stakeholders offered a similar view, especially on the need to change stated policy.

Overall, therefore, stakeholders took the view that the focus of the project was too strongly centred on the potential savings to the specialist travel budget, and too little on the benefits to the health and wellbeing of children – in large part because Children's Services, who had primary responsibility for these social

outcomes within Norfolk, never fully engaged in it. This appears to be a potential risk in projects that offer financial benefits, since some stakeholders (usually budget holders) will be focused on those benefits while other stakeholders may be less attracted to them.

As already described in section 3, the contract was severely impacted by COVID-19 and the ensuing restrictions, and travel training effectively stopped through the spring and summer of 2020, with most of the team furloughed. Norfolk made relief payments of £42K to HCT during this period, which was more than indicated by Cabinet Office guidance. In light of this Norfolk were disappointed when HCT made a strategic decision to withdraw from all travel training in September 2020, just when the Council was preparing to gear up for the new term. Interestingly, neither the commissioner nor HCT stakeholders believed that the

increased risks of COVID-19 (notably to any young people travelling on public transport, and to young people with SEND facing additional risks – for example if unable to wear a face covering) would have had a significant extra effect in deterring participation.

When interviewed for this review in September 2020 it appeared that Norfolk intended to continue travel training and probably to bring it in-house, integrating delivery of travel training of school age children with the existing training it offers via its TITAN programme. TITAN currently provides travel training to a different cohort of older children aged 16-18, with a generally lower level of special need and for a different purpose – to enable them to travel to Sixth Form or FE college. Norfolk was at that time developing plans for how integration could be achieved.

4.5.4 CBO team experience

The CBO team had peaks of involvement at two points in this project: initial assessment and when approached to amend the grant award to reflect the renegotiation of contracts in 2019. At assessment, the CBO team had a positive view of the SIB and received a positive independent assessment from Big Society Capital and staff working on the Headstart programme; both were supportive of the project and commented favourably. There was however frustration at the time it took to implement each project, as reported above and noted in our first review of this SIB.

The first signs of potential issues with the projects – notably around referrals and eligibility for travel training as described earlier in this report, started to emerge in 2018. The CBO team were actively

involved in the process of trying to resolve these issues and in particular played an important role in agreeing to the capped outcome payment relating to assessment of eligibility, which was designed directly to address the challenge of the level of eligible referrals being lower than forecast.

CBO stakeholders also confirmed that they were aware of Lambeth's concerns about the project in 2019, and their subsequent decision to pursue repayment of some of the money they had paid in advance against the assessment of eligibility outcome.

Given the high expectation of this SIB and the positive initial assessment of it there was disappointment when HCT made the decision to close the contracts but:

“we understood that it would have become very difficult during COVID because of the closure of schools and because it would be counter-intuitive for children with SEN to be travelling on public transport during the pandemic.”

As noted above other stakeholders agree with this view and some thought it would have been totally irresponsible to encourage

children to make greater use of public transport during the early stages of COVID-19.

5.0 Successes, challenges and impacts of the SIB mechanism

This chapter summarises the apparent benefits and disadvantages of this project being a SIB, including being supported by social investment and deploying

an outcomes-based model. It also addresses overall value for money, as judged by both stakeholders and, so far as possible, independently by us as evaluators

5.1 Successes and challenges of the SIB mechanism

5.1.1 Ability to provide travel training at scale at minimum risk to commissioners

As reported at length in our first review of this family of projects, a key driver of the SIB was its ability to persuade LAs to achieve travel training at greater scale than is usual since the payments made would be proportionate to the number of young people who had been successfully trained and were travelling independently, and would not be made until their independence was evidenced. The project seems to have been attractive to commissioners because of this, and in Norfolk the commissioner was happy to admit that the project was low risk for them because it was 100% outcomes-based with no upfront commissioner payment for pre-eligibility checks (and thus the level of payments ultimately made should align with the potential for savings, no

matter how many children were successfully trained).

As we explore below, this meant that commissioners had less to lose if the contracts did not perform as expected, even though they had a contractual obligation to refer enough children suitable for training. It also meant that the contract potentially offered better value for money than an equivalent conventional contract, since the commissioners would then have had to pay for the service irrespective of performance. If an in-house contract were to underachieve due to 'unsuitable referrals', for example, the cost per young person trained would almost certainly be significantly higher than it was on these contracts.

5.1.2 Ability to create and promote a replicable model

The HCT SIB was deliberately designed as a replicable approach that could be sold to LA commissioners sequentially. It was a qualified success in achieving this aim, since three contracts were placed in succession. It is probable, but not certain, that this could not have been achieved without the initial start-up capital and ongoing finance from investors and support provided by BFM, without which HCT would either have been unable to fund business development, or would have had to commit its own capital at much greater risk. HCT stakeholders believe that it might have been possible to develop new contracts without external capital if HCT had opted at the outset for a part fixed price/part PbR model (which they were starting to explore in mid-2019 and pre-COVID) but this is unproven.

However all three contracts were in place by June 2018, and there were no further new contracts funded through the SIB. While 2020 and COVID-19 brought a whole new scale of challenge, this suggests that the model was not as attractive as some thought (no doubt because travel training faces many other obstacles, as both this and our previous report note). This is to some extent borne out by HCT's experience of seeking to engage commissioners in further contracts through the Life Chances Fund (LCF). To quote one HCT stakeholder:

“We had eight local authority areas in the pipeline discussions [for application to the LCF] however they all fell away as we went through the development process, almost all of them accepting what was effectively free consultancy to set up something smaller and cheaper locally.”

What is disappointing about this from HCT's standpoint is that it is likely that such in-house alternatives might not have been 'cheaper' because if they underperformed the commissioner would still have to fund the service rather than paying only for outcomes as noted above. It is also possible that HCT were unable to devote enough attention to new contracts due to the need to 'firefight' the issues on the existing contracts, although this would have been less of an issue once the contract Operations Manager was appointed, and the Business Development

Manager was free to focus on new opportunities.

From an evaluation standpoint, it is unfortunate that HCT has now withdrawn completely from travel training since it was in the process of moving to a new PbR model and it would have been interesting to explore whether this PbR model was more or less successful than the SIB model, and why. Since the model was never implemented, such evaluation is not possible. Since this did not happen it cannot be tested, but Challenges and disadvantages of the SIB approach

5.1.3 Optimistic modelling and forecasting of suitable referrals

All three contracts were unable to achieve the level of referrals assumed in the initial business cases developed during the SIB design phase. This matters because this SIB and individual contracts were predicated on the virtuous circle of successful outcomes (which are heavily dependent on suitable referrals) leading to reduced demand and ultimately to savings in the costs of specialist transport. Savings were generated but at lower levels than forecast, as highlighted in section 4.4.4.

Getting the business case assumptions wrong, especially around referrals and outcomes, was a known risk which HCT tried to mitigate both by involving the commissioners in the analysis of likely volumes, and by building in minimum referral numbers in two of the three contracts. However both these mitigations had limited success – especially in Lambeth. Involving the commissioners had limited impact because they did not engage as fully as HCT wanted (according to HCT) or there was misunderstanding about how many suitable referrals could sensibly be forecast prior to detailed assessment (according to Lambeth). The minimum referral provision was a relatively blunt instrument

which gave HCT no real recourse but to invoke the contract and seek compensation and/or threaten termination, or (as happened) renegotiate the contract. Ultimately the contractual obligations could not solve the underlying problem – which appears to be that the natural 'run-rate' of suitable referrals was below what was predicted (although there was some improvement in performance once the operational changes described earlier in this report were made).

Irrespective of the risk mitigation attempted, therefore, it is hard to escape the conclusion that there was a degree of optimism bias³⁴ in the business case forecasts. Stakeholders reported that HCT expected around 40% of children referred to HCT to be suitable for training, whereas it turned out to be closer to 20%. It is, we believe, instructive that referrals fell short in Norfolk despite a much higher degree of commissioner engagement and continuity from SIB design to contract implementation – which suggests that improved commissioner involvement in the data analysis would only have been successful if it had addressed this optimism bias, and had led to a substantial lowering of expectations.

³⁴ The Treasury has issued guidance that supplements the 'Green Book' and defines optimism bias as 'a demonstrated, systematic, tendency for project appraisers to be overly optimistic'. It advises that appraiser should 'make explicit, empirically based adjustments to the estimates of a project's costs, benefits, and duration, to avoid optimism bias. See: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/191507/Optimism_bias.pdf

It is arguable, in our view, that attempts to address this risk by contract terms might have been more successful if there had been some sort of halfway house between continuing simply to press the commissioners to increase the number of suitable referrals on the one hand, and to invoke the 'nuclear option' of contract clauses, which effectively penalised the commissioners for not making enough suitable referrals, on the other. However it is difficult to see how this would have resolved the fundamental issue – which was a mismatch between forecast suitable referrals and those that existed in practice.

Once it became clear that the run-rate of referrals was likely to be lower than forecast, the parties were able to resolve this issue, and the revised agreement with Lambeth included both a minimum payment (to address the referral issue) and lower outcome forecasts based on what the data was now telling all parties. However the very fact that everyone seems to have been aware that there was risk in the original forecasts makes it all the more important, in our view, that they were lowered to take account of possible optimism bias.

5.1.4 Inadequate or incomplete commissioner engagement

The challenges of commissioner and other stakeholder engagement, which were clearly a factor in the over-estimation of referrals, appear to have persisted into the implementation of all three contracts and caused various degrees of difficulty:

- In Surrey a lack of commitment to the contract, exacerbated by frequent turnover of lead personnel, appears to have undermined the contract from the start.
- In Lambeth, the team managing the contract were not the team that had originally commissioned it, nor worked with HCT to design the contract, and they appear to have disagreed with HCT about the adequacy of referral volumes and the suitability of those referred to the travel training programme. The 'Waterfall analysis' described in section 4.2.1 of this report seems partly to have addressed this problem, but Lambeth continued to argue that the suitability of many children for training could not be accurately predicted prior to assessment. There was also a weakness in communication, and perhaps an unwillingness of the original team from HCT working with Lambeth to have difficult conversations about the likely consequences of a continuing shortfall in suitable referrals. The consequence of this was shock and resentment when, in Lambeth's view, HCT suddenly escalated to a formal and much more confrontational approach focusing on contractual obligations. Irrespective of whether Lambeth should have felt like this (as some argue they should not) this led to damage to the relationship from which it appears never to have recovered.

- In Norfolk, the lead commissioner with responsibility for SEND transport was fully committed to the project to its end, but there were challenges elsewhere – the resistance of schools was hard to overcome, and the lack of buy-in by Children's Services appears to have made it difficult to secure wider cultural acceptance of travel training as a viable option for many young people with SEND. There were also issues arising from the relative paucity of rural transport (which made public transport difficult or impractical for some young people) as referenced earlier in this review.

Commissioner and other key stakeholder engagement has been a factor in nearly all the SIBs and outcomes contracts we have evaluated, and it can be argued (as we have ourselves in this evaluation and other research) that getting this right is equally important in conventional contracts. However it again seems to matter more in SIBs – both because there are likely to be more stakeholders involved, working together for longer; and because the consequences of getting it wrong are likely to be greater, and felt much more quickly. Moreover if issues are not quickly resolved it can have greater financial consequences, because payment is more closely aligned to performance. In many ways this is of course a good thing, and one of the key benefits of outcomes contracts is that underperformance is quickly identified, and because it has consequences it is equally quickly addressed.

In other research³⁵ we have also found that commissioner engagement can be especially challenging, and have particular consequences, when a delivery organisation is seeking to engage commissioners in a replicable SIB model. We are not suggesting that engaging the three commissioners who contracted for this service was in any way easy, but there must be a risk that they were all somewhat less engaged than they would have been if they had been leading the SIB design and commissioning process themselves. Instead they

were buying into a proposition developed by someone else and for which they did not have to pay unless it worked – and therefore had little to lose if it did not work as well as expected, provided they had not built their future budget on the firm expectation of cashable savings. Despite the importance of cashability to the overall proposition behind this SIB, neither Norfolk nor Lambeth appear to have made such assumptions – indeed Lambeth thought HCT’s savings projections were unrealistic.

5.2 Value for money of the SIB mechanism

This section provides an overall assessment of whether the HCT SIB family offered value for money, based on the views and experiences of stakeholders and, so far as possible, our own independent evaluation. There are challenges in making such an assessment from the stakeholder viewpoint since stakeholders were largely focused on the operational and contractual issues outlined above when they were interviewed, rather than the overall value of the contract. Assessment is also more challenging because all the contracts ended early, and we cannot be certain whether we or stakeholders would

have different views if some or all of the contracts had run their full course. It is however possible to draw some reasonably clear conclusions from both stakeholder and evaluator perspectives.

As we intend to do for all final in-depth reviews of projects under this evaluation, we have assessed value for money against the ‘four E’s’ framework for assessing value for money recommended by the National Audit Office, namely Economy, Efficiency, Effectiveness and Equity.

5.2.1 Economy

Short definition: Spending the right amount to achieve the required inputs

Economy, and keeping costs to a minimum, is generally of less importance than the other VFM dimensions in SIBs and Social Outcomes Contracts (SOCs). This is because keeping costs down can work against the overriding objective of maximising outcomes achieved – especially when those outcomes are intended to create savings or otherwise justify the spending on the intervention.

It is however still important that costs are as low as they can be while being consistent with this overriding objective, and it is clear that economy was an important issue at various points within this project.

First, both HCT and BFM devised a structure and performance management framework that aimed to keep costs low by keeping the structure as simple as possible and taking a ‘light-touch’ approach to performance management, relying largely on HCT to manage its own performance. Table 3 below summarises both core delivery costs and the additional costs related to the SIB structure and shows that overheads were low by the standards of CBO SIBs, with 94% of total costs attributed to direct delivery of services. SIB costs were lower than they could have been because investors, via BFM, agreed to accept a lower share of outcome payments than the agreement with HCT stipulated, and effectively agreed to be repaid what they had invested, without return – indeed there was an overall capital loss of £443k (see section 4.4.3).

³⁵ See for example https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/957374/A_study_into_the_challenges_and_benefits_of_the_SIB_commissioning_process_Final_Report_V2.pdf

Moreover the true additional cost of the SIB is likely to be lower than shown here, since a high proportion of the costs of performance management (save additional costs incurred to put the Performance Improvement Plan in place) would have been incurred directly by HCT. While HCT's costs have been higher

under the SIB (for example because of the additional costs of data analysis and reporting to BFM as investor) it is likely that HCT would have incurred at least a proportion of these costs if managing conventional contracts with the same commissioners.

Table 4: HCT total project costs

Type	Description	Amount	% of Total
Core costs	Delivery by HCT	£1,366,000	93.6%
SIB costs	Investment Return	0	0%
	SIB Management	£93,000	6.4%
Total		£1,459,000	

Source: Cost information submitted by HCT to The National Lottery Community Fund. Supplementary data provided by BFM

What we cannot say with certainty is that core delivery costs offered good value compared to an alternative provider. We do not have comparable costs to deliver a similar travel training intervention from other providers (and the HCT intervention was their own design, and might not be directly comparable to another, similar intervention). In addition neither Lambeth nor Norfolk undertook a competitive process to test value for money. Surrey was however forced into such a process, and nevertheless awarded the contract after formal evaluation to HCT. This does give some indication that the HCT intervention was good value.

We also note that HCT did engage with multiple investors and require them to compete for its business. This was right and proper, since although BFM (as Bridges Ventures) had a prior relationship with HCT they did not have such a relationship in regard to SIBs, and it was in any case good practice that HCT sought competitive proposals. We think this reflects HCT's relatively strong experience in working with social investment, and would note that one of the potential weaknesses of SIBs, often due to the way they are designed, is that providers may not explore enough investment options, or not even realise that they are able to do so.

A further important point from the commissioner standpoint is that because this was an outcomes contract, with payment based 100% on outcomes achievement, direct comparison with a conventional contract is slightly misleading. There was clearly a benefit to the commissioners in not having to pay for the service in advance unless it worked, as emerged clearly during our first review, and as reaffirmed during this review by the Norfolk commissioner. This contrasts with a conventional contract (or in-house service) under which the commissioner would have to pay irrespective of performance, unless and until they terminated the contract.

Of some concern, however, is the feedback from Lambeth stakeholders that they thought resources devoted to the contract were not adequate to deliver the critical input – namely the number of assessments conducted – and according to their account around 50 assessments were uncompleted when the contract was terminated. HCT dispute this, and some of this occurred when the contracts were operating under COVID-19 restrictions, but it does suggest that the underperformance of the contracts was starting to have wider effect.

5.2.2 Efficiency

Short definition: Ensuring sufficiency and optimisation of agreed resources to deliver expected activities and outputs as well as possible

Efficiency, like economy, is in broad terms less important than the effectiveness dimension in assessing SIBs and SOCs. However one critical aspect which falls under the efficiency dimension is whether the project was able to deliver the right number of referrals, since these are a critical output which in turn drives outcomes.

As already described in some detail above, this project fell short of targets for 'suitable' and 'eligible' referrals while broadly being close to target for total referrals – except in Surrey where the contract and service never really got going. As we have also explained, there remains some disagreement and differences of interpretation about the reasons for this shortfall and who was responsible for it, and we cannot adjudicate on the merits of these competing arguments. However as noted earlier HCT was able successfully to train a

high proportion of those deemed suitable for training. It does therefore seem clear that the inefficiency of the contracts in delivering enough suitable referrals – despite efforts to mitigate this through both formal contract terms and considerable 'on the ground' work with commissioners – was a root cause of the under-performance of the contracts, especially in Lambeth and, for slightly different reasons, in Norfolk.

What is less clear is whether these issues are 'endemic' to travel training or a consequence of the SIB model. There is some weak evidence for the former, and that similar issues would have occurred even if these had been conventional contracts. HCT stakeholders conceded that they had faced similar challenges of referral on other contracts, including one in London. In addition the Lambeth stakeholders thought that there was a wider tendency to underestimate the challenge of ITT, and that the referral problems would have persisted if these had been conventional contracts, because HCT had underestimated the resource required to assess and train enough young people. In their view:

“Boroughs who have taken the service in house are having huge success with it but it is not an easy thing to make money from. To really get this off the ground they needed more people doing assessments”

5.2.3 Effectiveness

Short definition: Achievement of desired effect of the project as measured by achievement of outcomes and other objectives.

Since effectiveness is a measure of outcome it is almost by definition the key dimension for an outcomes-based contract. It is clear that this family of projects did not meet its outcomes targets and fell below the low/worst case scenario presented to the CBO team. Even allowing for the fact that planned outcome targets were lowered during the contract renegotiation and reset in 2019 (from 416 to 382) the project achieved 27% of its Median outcomes target in total. This is somewhat distorted by the Surrey contract (which achieved only 14% of renegotiated target) but achievement in Norfolk was also much

lower than expected (18%) and it is interesting that despite the contractual issues the Lambeth contract fared somewhat better – achieving 65% of target.

It was inevitable that the project would miss its targets once the decision was taken to close the contracts, and we cannot be certain whether and to what extent they would have recovered if allowed to run their full course. It does however seem unlikely that they would have got close to the Median scenario, below which the projects would likely not have broken even for either HCT or BFM, and would always have fallen short of commissioner expectations. At the point of closure the family of contracts had achieved only 42% of the Low scenario for outcomes in total and only 27% of the Median scenario as noted above.

Under the effectiveness dimension we also consider whether the contract met its wider objectives as set out in its business case and application to the CBO. As already noted, the project was a qualified success in enabling commissioners to test whether they could deliver travel training at scale, and certainly enabled the creation of a replicable model which could be adopted by successive commissioners.

A further objective was to create value for commissioners through cashable savings and avoided costs, As noted in section 4.4.4 the project achieved net savings and avoided costs for the commissioners of £1.38m, even though it did not meet its outcomes targets. This again shows the benefit of an outcomes contract, since value created will, like costs to commissioners, be proportionate to the number of children successfully trained.

We should note that despite the emphasis of the project (certainly during our first review) being on a strong 'invest to save' model, this did not seem with hindsight to have been as important a driver than it initially appeared. The Norfolk commissioner made it clear that they were relatively relaxed about outcome targets not being met, in large part because they did not have to pay anything unless outcomes were achieved. In addition the Lambeth commissioner was focused on the non-delivery of the service (especially once they have agreed to make assessment payments of up to £120,000 a year) but not on the cashability of savings This is in contrast to our first report on this SIB family, when we noted that:

“The SIB unlocks the potential for many more young people to travel independently, thus improving their life chances and reducing demand for existing specialist transport to the point where significant savings can be made, and the travel training effectively becomes self-funding”.

5.2.4 Equity

Short definition: Extent to which other VFM objectives are achieved equitably for service users and other key stakeholders.

The main group affected by the equity dimension is service users – i.e. young people with SEND and their parents or other carers. We have not conducted direct research with service users or carers because the projects had closed before we were able to arrange such research, and case studies of positive service user experience have, for the same reason, now been removed from HCT's website.

Nevertheless we think that the project scores relatively highly against the equity dimension. Specifically:

- The intervention was not co-designed with service users as part of the development of these contracts, but it was designed by HCT to take account of previous experience of service users on other contracts.

- A key feature of the project (during both design and implementation) has been substantial effort to engage service users, and equally importantly their parents/carers, as an essential part of the process of travel training. The same applies to schools, who are key stakeholders in the wellbeing of the young people with SEND under their care.
- HCT introduced their own 'Wellbeing Wheel' to measure improved wellbeing and resilience for the young people themselves across a number of dimensions (see Section 3.4.4 and Appendix B for further details).
- The evidence suggests that the intervention has been fairly targeted at those it was intended to reach, with little evidence of 'cherry picking' or 'creaming' of those most likely to be capable of benefiting from the intervention. To the contrary, the issues in Lambeth seem in part to have arisen because HCT were assessing

young people whose needs meant they were unlikely to be suitable, rather than picking out those most likely to be successfully trained. We note that according to Lambeth some potential service users were not assessed, but there is no evidence that this was because of any attempt to deny service access to more challenging young people – i.e. so-called ‘parking’. If there were missed assessments, this seems simply to have been because of capacity issues.

Feedback from stakeholders also seems to confirm that, despite the operational and contractual issues

described above, they remained positive about the impact of ITT on their cohorts of young people with SEND. Norfolk wanted to restart the programme in September 2020, and did not believe parents would be deterred by the additional challenges of independent travel (e.g. mask-wearing) during continuing COVID-19 restrictions. Both councils were also exploring how to continue in-house a service which they thought had been of value, and that would improve the life chances of young people with special needs. To again quote the Lambeth commissioner on the contract closure:

“This was a really positive contract which I was happy to praise and did praise to colleagues in other areas and lots of other boroughs were interested in what we were doingwe had really good feedback from families and schools so for me [the contract cancellation] was a real disappointment.”

5.2.5 Overall cost-effectiveness

Looking at VFM as a whole, it is tempting to conclude that this family of projects cannot have been cost-effective because the projects so widely missed their outcome targets – due not to a failure of the intervention to train people effectively, but to other factors – most notably a shortfall in suitable referrals. According to the Lambeth stakeholder there was also an issue of capacity, which contributed to that shortfall.

However it is arguable that the SIB approach did offer better value for money than the same intervention delivered through a conventional contract. Under such a contract, the commissioners would have had to pay for the service despite the performance issues, and would no doubt have expended considerable sums before steps were taken to address those issues. Since payment was linked to outcomes under these contracts, the reduced effectiveness of the projects was matched

– for them – by lower costs. Under a conventional contract, they would have had to pay for the full cost of the service even if it achieved no outcomes – unless and until they decided to terminate it.

In addition while the project achieved nowhere near the scale of savings and costs avoided originally envisaged, the benefits from savings and avoided costs exceeded commissioner payments by a ratio of nearly 2 to 1. While commissioners would no doubt have much preferred better outcome performance, therefore, they did achieve better value for money than a comparable fixed-price ‘block’ contract or in-house service.

6.0 Legacy and sustainability

In simple terms, the legacy of this family of projects is clear: there was no direct legacy or sustainment because the projects did not continue and HCT has completely withdrawn from the delivery of travel training on both a SIB/PbR and conventional basis.

There is however some local legacy in that when interviewed, Norfolk stakeholders explained that they were exploring whether it would be possible to expand their existing in-house TITAN service (which currently covers 16-18 years olds) in order to continue the provision of travel training to secondary school age children in some form.

Likewise, Lambeth stakeholders also indicated that the project had been positive from a service user perspective and that they would explore continuing provision through another route. This thinking was however at a very early stage when we spoke to stakeholders.

The experience of this SIB has also not deterred either Norfolk or Lambeth from pursuing SIBs elsewhere in their respective organisations:

- Norfolk has successfully implemented three projects under the Life Chances Fund (all supported by investment from BFM). These are respectively:
 - focused on preventing young people entering local authority care through the provision of multi-systemic therapy and family functional therapy;
 - aimed at improving support to unpaid carers for ill, older or disabled people; and
 - supporting single people and families to avoid becoming homeless
- Lambeth is lead local commissioner on another CBO-funded SIB, the Zero HIV project, led by the Elton John Aids Foundation across the London Boroughs of Lambeth, Southwark and Lewisham. This is another SIB that is subject to in-depth review under this evaluation, and the final review of it can be found [here](#). Stakeholders we interviewed for that project observed that they had some familiarity with SIBs through their experience of the HCT project.

7.0 Conclusions

7.1 Overall conclusions and evaluative insight

At the time of our first review of this project everyone had high hopes of it as an innovative way of using the SIB mechanism and outcomes-based contracts to enable ITT at scale. If delivered at scale, ITT would be genuinely impactful for young people with SEND, rather than a relatively marginal addition to specialist transport, and would deliver a virtuous circle of increased independent travel, reduced demand for specialist transport, and cashable savings for LAs that would fund the training they had commissioned.

The project has still achieved very good outcomes for some young people, and some stakeholders have argued that it has achieved more outcomes than similar in-house or conventionally funded projects. However the SIB has fallen short of expectations due to issues that are now familiar to us from other SIBs that we have evaluated. What is less straightforward is which of these was cause and which effect.

In our view the primary cause of the Surrey contract falling short of expectations was commissioner disengagement, almost certainly exacerbated by frequent churn of key people. It is likely, based on what has happened elsewhere, that the contract would still have faced major challenges, but without this commitment it was never going to succeed, and seems never to have got to the point where anyone could try to address the more tactical issues such as under-referral. For this contract, the SIB mechanism might be seen as a negative, since the use of 100% outcomes pricing on a 'provider-led' SIB, arguably enabled the commissioner to enter into the contract with minimum consequence – except the time and effort invested to get to that point.

The issues surrounding the Lambeth and Norfolk contracts are more complex. In our view, the root cause of all other issues in Lambeth is the

optimism bias built into the business cases about the likely scale of suitable referrals. Forecasts were high despite known uncertainty about the extent to which enough suitable referrals could be achieved. This meant that the contract was almost certain to be underperforming from the outset. This in turn contributed to the disagreements and differences of opinion about what constituted a suitable referral. Norfolk, on the other hand, were prepared to work at a lower level of success and to continue to do so at the point the project closed; and HCT kept their team on furlough, funded by Norfolk, for the first 6 months of the pandemic.

According to HCT stakeholders, a contributing factor was that commissioners (especially in Lambeth) did not engage as much as expected during the design process, and so the data on eligible children may not have been as accurate as HCT assumed. HCT highlighted this as a risk to the projects during our first review. In our view, however, commissioners were never likely to put in the requisite effort to properly diligence the business cases since there was minimum risk to them in committing to contracts based on 100% outcomes, and the SIB was provider-led – i.e. part of the value to commissioners was in them not having to do all the work. Moreover Lambeth stakeholders believed that there was never an expectation that they would engage extensively in stress-testing the business case or its assumptions prior to contract start, and that they could not have accurately forecasted the suitability of young people with complex needs prior to assessment. This is despite the fact that they had signed up to a contract which committed them to a minimum number of referrals and which made clear their obligations to meet that target. As another, non-Lambeth stakeholder pointed out:

“All councils read the contract, and were happy to sign it. They all expressed confidence that they would be able to meet their responsibilities at the outset.”

However the subsequent actions of commissioners suggest that it was always unwise to rely on the contract to mitigate the risk of under-referral. Experience of contracts – of all kinds – is that parties tend to focus on the obligations of other parties rather than their own, and this should in our view have reinforced a view within HCT that the underlying assumptions and modelling of total users engaged, net users suitable for training, and net suitable users capable of completing training, should have been much more cautious. In practice actuals appear to have been around half what was expected.

Had the contracts performed at or near to expectations, the outcome payments would have been enough to cover BFM's initial investment, investors would have continued to fund this contract, and there would likely have been a surplus which would have incentivised both parties to continue to work together to add new contracts. The success of existing contracts would also have encouraged new commissioners to engage.

Once referral volume became an issue, however, the other major challenges we have highlighted became crucial. The relative lack of engagement between HCT and Lambeth made it difficult to resolve the referral issue, and the lack of engagement of both Children's Services at one level, and individual schools at another, had some adverse effect in Norfolk, even if they were still prepared to continue to commission the service.

Another issue was that HCT was the contract holder on all three sites, and therefore BFM could not intervene as easily or directly to improve performance, or take other action, as they can on other contracts where they both bear outcomes risk and have direct responsibility for performance management. That said BFM stakeholders do not believe that more direct control would have made much difference. BFM might have acted more quickly to address the issue of under-referral directly with commissioners, and might already have had in place more focused operational management, rather than HCT introducing such management only after a Performance Improvement Plan was put in place. But whether this would have made any difference to the fundamental issue – that there appear not to have been enough young people with SEND capable of being successfully

trained – is uncertain. Once HCT did take action the situation and understanding of the problem did improve, and more realistic performance targets were negotiated. However performance still fell short of revised targets, even though better than before.

All that said, Norfolk must be counted a relative success compared to the other contracts. There was continuity of commissioner involvement, a strong degree of collaboration between HCT and the Norfolk SEND transport team, and an ongoing commitment to work together to resolve the issues. Had it not been for HCT's strategic decision to withdraw from travel training the commissioner would have wanted to restart delivery in September 2020 – although subsequent lockdowns and COVID restrictions would have made any restart short-lived.

In addition, and as we highlight further below, there has been much positive learning from these contracts about the challenges of delivering ITT successfully. The key question is whether those learnings can benefit normally contracted or internal services, or whether a focus on outcomes is always required to get everyone to really care about results.

The decision of HCT to withdraw entirely from this market also leaves two broader questions unanswered (and arguably unanswerable, though we have given our view below):

- **Would a PbR model have worked better than this SIB?** Before COVID-19 hit, HCT was intent on rolling out a revised approach to ITT that was essentially a PbR model, based on a mixture of upfront/early payments for referrals and engagements, and the balance of payment for outcomes as before. This lower risk model
- required less working capital and would have been funded from HCT's own reserves. HCT were confident that they could make this model work and we tend to agree that it would have been better than the SIB model, mainly because there would have been clearer alignment of risk, with HCT liable both for the achievement of outcomes and the financial consequences of failing to do so, while commissioners would have had more incentive to refer enough children for training because they would have

been making a payment linked to engagement as well as to training outcomes. There would however still have been a risk of commissioners not understanding their obligations fully.

- **Would this PbR model have been more or less attractive to commissioners?** The simple answer to this is 'less attractive', since unlike the SIB model there would not have been 100% linkage of pricing to outcomes, and commissioners would have been expected to pay a proportion as effectively a fixed or highly predictable fee. The more nuanced answer is 'not sure' since HCT would have been able to draw on its experience of the

SIB contracts, and the evidence they provide as to the challenges of a 100% outcomes-based model, in engaging commissioners.

Ultimately the unanswerable (and no longer relevant) question is whether commissioners would have preferred a balanced approach that offered them some of the benefits of PbR at some risk, to an approach that promised full PbR but with a much higher risk of failure, and a likely request from HCT to renegotiate the contract later. The only evidence we have is that, as noted earlier, commissioners did not buy into this model when it was potentially on the table – with top up from the CBO – in 2018/19.

7.2 Achievement of CBO objectives

The CBO programme's overriding aim was to grow the market in SIBs and other outcomes-based models in order to enable more people, particularly those most in need, to lead fulfilling lives, in enriching places and as part of successful communities. Against this aim the HCT family can be seen as a partial success, but also ultimately to have not achieved its aspirations:

- On the upside, HCT and BFM successfully created a replicable model that could be adopted successively by different commissioners. It was one of the first projects to adopt this approach, and was possibly more successful than others in creating a model that could be adapted to the needs of different commissioners with relatively little adaptation.
- On the downside, it took between two and three years to implement the model with the three original commissioners, one of whom never fully engaged with the model, and there were no subsequent adopters. It also failed to reach the scale that was planned with the original commissioners, and thus achieve the self-funding model that was always planned.

We have assessed this SIB family against the four more detailed CBO objectives as follows:

- *Improve the skills and confidence of commissioners with regards to the development of SIBs.*

Partly achieved. As commissioning organisations, both Norfolk and Lambeth retain confidence in SIBs and appear able and willing to explore them as an option. However Surrey appear never to have engaged seriously in this project and we are unable to assess whether there has been any wider impact within the Council. Moreover it is doubtful that the individual stakeholders we spoke to in Norfolk and Lambeth have substantially enhanced their skills and confidence in the SIB approach. It does not appear likely that either organisation will use a SIB or PbR model if they look to fund ITT in the future.

- *Increased early intervention and 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*

Partly achieved. ITT as an intervention is proven to substantially improve the life chances of people with low to moderate needs, and HCT

clearly is a VCSE. However this objective is more about widening the pool of much smaller VCSEs that are able to deliver such services, and HCT is already a well-resourced and substantial organisation by VCSE standards.

- *More delivery partners, including VCSE organisations, can access new forms of finance to reach more people*

Partly achieved. It seems reasonably clear that HCT could not have pursued the 100% outcomes-based SIB model that they developed without social investment; and they were able to make that model work, and access investment via BFM, in part because of the support that CBO provided. But it seems less obvious that CBO support was critical to HCT being able to access investment, not least because they had an established relationship with BFM and were used to deploying social investment – albeit in a growth capital rather than a SIB/outcomes contract context.

- *Increased learning and an enhanced collective understanding of how to develop and deliver successful SIBs/OBC lessons for other projects*

Largely achieved. We think this project has made a substantial contribution to wider learning, especially about SIB models that are designed to be replicable. HCT stakeholders have contributed both to this in-depth review and to wider learning activity undertaken through this evaluation, as well as to other research into the challenges of replicating SIBs across a ‘family’ with similar underlying structures. We also think there are useful lessons for other projects from this SIB even though it was only partially successful – especially about the challenges of assessing the suitability of young people for ITT, and achieving positive parent and school engagement.

7.3 Lessons for other projects

In addition to our conclusions above we think there are some important lessons that other projects can learn from the experience of HCT and other stakeholders in this attempt to build a replicable SIB model. These include the following:

- ***Aim to ensure that the business case assumptions avoid optimism bias.*** The tendency of all parties in projects to overestimate likely success is a known risk on which H M Treasury have issued specific guidance³⁶ as an addendum to the ‘Green Book’, which provides Treasury guidance on option appraisal of policies, projects and programmes. This issue is by no means confined to SIBs and similar contracts and is found across projects of all types. It is however especially important to try to guard against optimism bias in an outcomes contract because the sharing of risk is likely to be different from a conventional contract or grant, and the

consequences for stakeholders may be greater if forecast are not achieved and the project is perceived to be under-performing. It is also important to make realistic base case assumptions even if you have fully engaged stakeholders since both providers and commissioners may have an incentive to over-estimate success, and may have different and subjective interpretations of how much work is needed, and possible, to ‘stress test’ assumptions prior to project implementation.

- ***Appropriate referrals are as important as outcomes, if not more so.*** Even if you have 100% confidence in your ability to deliver an intervention, outcomes will fall short of forecasts if not enough people are referred to the service, or those referred to it cannot benefit from that intervention. In this case there were enough referrals in total in Lambeth and Norfolk, but in Lambeth many of these were not suitable for

³⁶ See https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/191507/Optimism_bias.pdf

training, or should not have been referred in the first place, and in Norfolk there was too much resistance from parents and schools. Stakeholders have noted that there is much learning for other projects that can be taken from HCT's detailed analysis of referrals and their suitability or otherwise. It is however unclear how this sharing will take place now that this project has concluded and HCT has ceased involvement in all ITT.

– **Contractual obligations do not guarantee delivery.**

As we noted in our first review, this project was one of an increasing number where minimum commissioner obligations – especially to achieve referrals – were being written into social outcomes contracts. This was partly because the lesson above – that without a suitable referral there can be no outcome – was already being learned. However it did not solve the problem in this case, for a range of reasons including disputes about what constituted a suitable and eligible referral and misunderstanding of obligations – possibly because new staff did not realise or fully understand what others had agreed to. The bigger lesson – common to all types of contracts – is that contractual obligations are useful for assigning liability when in dispute or default, but are not always an effective mechanism for achieving good results. This is more likely to be achieved through active engagement and collaboration, and building strong relationships, as HCT appear to have achieved in Norfolk.

– **Stakeholder engagement is critical.** This is a constant theme of all our reports under this evaluation and of other research into the barriers to developing SIBs and other complex, outcomes-based contracts. You need to start engaging early, engage consistently and frequently, and then keep doing so because there is bound to be staff churn. It is also important to ensure that you engage with all stakeholders with significant influence over the success of the project. This may mean engaging much more widely within the commissioning organisation than you might have thought necessary – as HCT's experience in Norfolk demonstrates.

– **Provider-led projects have risks.** As we have observed in other reviews and our overall update reports, the challenges of effective stakeholder engagement are intensified when a project is 'provider-led', with either a VCSE like HCT or a specialist intermediary developing the operational model and then 'selling' that model to prospective commissioners. This has risk for both sides but especially for providers, since a commissioner can engage in the development process with relatively little 'skin in the game' except the time and effort needed to adapt the model to their requirements – and such models appear often to come with a promise that the provider will do most of the work. But it seems likely that the commissioners will not be as committed to the project as they would be if they had developed it themselves, and will almost certainly not understand the assumptions that lie behind the business case for the project as well as they would if they had been in the lead. It is worth noting that both the CBO and LCF programmes recognised this issue and put in place arrangements to require a clear demonstration of commissioner commitment, but they cannot mitigate this risk entirely: the promise of an 'off-the-shelf' model explicitly requires less engagement; and the risk of a commissioner not being an equal partner in a project will always be there.

– **Aim to keep the same staff in post through the design and implementation process**

if you are a commissioner engaging in a complex project such as a SIB or similar outcomes-based contract. Otherwise you can lose momentum and a lot of hard work can be wasted, as appears to have happened in Surrey. If staff cannot be retained and changes are unavoidable, make sure that there is a clear audit trail of all major decisions and full documentation of e.g. contract variations, risk registers and issue logs, and aim to ensure that incoming staff have a full handover from predecessors who understand the rationale and logic behind the project and its components.

– As a commissioner, ensure that you understand the logic model. In similar vein, in order to maximise value for themselves and their communities, commissioners need to be conversant with the logic of the delivery model proposed, and key assumptions that need to hold for it to work. In this case these included the number of suitable referrals required, the risk of stakeholder decisions (by schools and parents) slowing progress, and external factors such as the sheer availability of public transport options. Such assessment is particularly important in a SIB or outcomes contract, where the risks are greater for all parties if the proposed outcome price (or proportion of PbR relative to up-front payment) proves not to be viable.

We would argue that these issues need to be addressed during design and procurement, since it can be difficult to ensure good value is sustained when a contract is subject to mid-term renegotiation and variation. However we accept that it would have been challenging to maintain this focus when the promise of the project – to commissioners – was that the bulk of the development work would be undertaken by the provider and their paid advisors, with minimum cost to them. Arguably such a focus could only have been maintained if the commissioners had taken independent advice, at their own expense.

Annex 1: SIB dimensions used for comparative analysis in section 3.4.4

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 family 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	<p>3 - 100% PbR and 100% of the PbR is tied to outcomes</p> <p>2 - 100% PbR, with a mix of outcome payments and engagement/output payments</p> <p>1 - Partial PbR: Split between fee-for-service payments and PbR</p>	<p>3 - Quasi-experimental</p> <p>2 - Historical comparison</p> <p>1 - Pre-post analysis</p>	<p>3 – Investor taking on 100% of financial risk; service provider fully shielded and receives fee-for-service payments</p> <p>2 – Investor and service provider sharing risk; service provider paid based on number of engagements</p> <p>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</p>	<p>3 - VCSE service provider</p> <p>2 - Public sector service provider</p> <p>1 - Private sector service provider</p>	<p>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</p> <p>2 - Hybrid: A 'social prime' organisation is responsible for managing the performance of their own service provision, and the performance of other service providers</p> <p>1 - Direct performance management: The organisation delivering the service is also responsible for managing their own performance, and there is no external intermedia</p>	<p>3 – SIB designed on invest-to-save logic, with savings generated used to pay for outcome payments</p> <p>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</p> <p>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</p>

Annex 2: The HCT Well Being Wheel – Statements and supplementary questions

		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Mental health	I've been feeling relaxed, cheerful and confident					
Physical health	I'm getting the support I need to manage my health					
Friends & family	I have good relationships with family and friends					
Independence & getting around	I am able to travel independently					
Citizenship & community	I regularly attend a club, group or social activity					
Access to local facilities	I am able to access local facilities, such as food shopping and health appointments					
Hopes & Future	I feel positive about my future					

Supplementary questions – Independence and Getting Around

What additional journeys have you been doing:

- Home to school
- Friends / family
- Leisure / social activity
- Health appointment
- Local amenities (cinema, shops)

Supplementary questions – Citizenship & Community

What other activities have you taken on?

- Social club / leisure activity (regular attendance)
- Chores for family
- Volunteering
- Paid employment

Supplementary questions – Hopes & Future

What plans do you have?

Are there things you think you can do differently now you can travel independently?

Annex 3: Analysis of a sample of Lambeth referrals: the 'Waterfall analysis'

