

Evidence report

Building the tools for public services to secure better outcomes: Collaboration, Prevention, Innovation

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Foreword

The outcome, the end result, is one of the main aims of public services: improving citizens' lives and their long-term prospects. This might be in health, well-being, reduced criminality, education, employment, or other key measures.

The Government Outcomes Lab – the 'GO Lab' – is here to help governments and public services to achieve effective, lasting social outcomes and increase value.

Valuing and supporting public service

Of course, managers of public services already aim to achieve great outcomes and to increase social value. In many cases, however, there are barriers and challenges which are difficult to overcome. Historic separations of departmental responsibilities can make it difficult to respond collaboratively to complex needs. Short political cycles and accounting rules can impede investment in initiatives that will produce outcomes in the long term. It can be challenging to try fresh approaches that may not work and feel too risky. The GO Lab is working with governments to understand how these barriers could be tackled, focusing in particular on outcomes-based commissioning approaches.

Supporting an historic mission

Effective outcomes-based commissioning has been a goal of governments in Britain for more than 30 years. But this has been harder than anyone imagined. Some success has been achieved in specific areas – such as programmes to solve homelessness, reduce reoffending, or ensure better support for children in care.

However, achieving great outcomes goes beyond singular policy areas. It is part of a social contract that requires policy and the state to be well-connected to the needs of people. It

speaks to the delivery of overarching governmental themes – improved social mobility, better health for all, and tackling the cycle of intergenerational poverty and inequality.

A hallmark of a healthy democracy is the capacity of the state and the public sector to respond with effective approaches to address individual and social needs, especially those of the most vulnerable.

Supporting commissioners

Commissioners are the stewards and keepers of public service values. It is their responsibility to identify people's needs and organise services to meet them. This is a fundamental function of the public sector, regardless of the politics of the government in power or the nature of the organisation delivering the service. The GO Lab's task is to help create effective tools to do that job. Our mission is to be the commissioner's friend, learning together to identify the best tools and approaches for improving the provision of services in practice.

Our approach

The GO Lab, as our name suggests, also undertakes rigorous impartial research. Based at the Blavatnik School of Government at the University of Oxford, we study ways to meet the challenges of public services through a focus on outcomes. There is a lot to learn, for example, about what makes outcomes-based contracts work well. A big challenge is to make the most out of the relationships that are embodied in those contracts. Our team of social scientists not only conducts original world-class research. We also gather evidence from other academic teams across the world to underpin and support the advice we provide to commissioners.

About this Report

This report focuses on Social Impact Bonds (SIBs), which are a type of Payment-by-Results contract intended to overcome some of the challenges facing public service excellence. In this report we explore how SIBs and the learning from current projects might help to improve public services in the UK and internationally. The report aims to give public service managers and policy-makers an overview of the evidence that has so far emerged from this research.

SIBs as a learning opportunity

The GO Lab studies varied approaches to outcomes-based commissioning and contracting. We are particularly interested in how different approaches impact on collaboration, prevention and innovation.

SIBs provide an ideal case for this type of research. Looking at more than 40 SIBs that have already launched in the UK, it is clear that practitioners are pushing the boundaries of the SIB concept to try out new variants and new factors which might work better to improve outcomes. However, this 'experimentation' will only yield genuine understanding if it can be consistently and rigorously evaluated. This report recommends not simply 'more research' but research that can answer the important questions. We need to determine which factors make a positive difference – and which do not.

Shift from polarised discussion that risks poor policy making

The public debate around SIBs sometimes generates more heat than light. It tends to range from extraordinary expectations to passionate opposition. At the GO Lab, we take an agnostic stance and wish to move the debate beyond narrow polarisation. We are concerned that one side may triumph prematurely. If that happens, Britain might on the one hand scale-up the SIBs programme with insufficient justification. On the other hand, it might abandon the programme before we have learned enough. We caution against either option.

Ask how SIB learning can improve outcome-based commissioning

More worryingly, the SIBs debate tends to focus on the

question: "Do SIBs work?" We think this question is unhelpful because SIBs are a complex combination of factors, some of which might work, while others might not. And the local context matters greatly. The more powerful question which this report addresses is: "What can we discover from these many SIB experiments and their varied ingredients? Do they tell us which factors are assets – and which are barriers – in outcomes-based contracts?"

Transparent and timely evaluations

Our report considers what this intriguing commissioning model can teach us about the factors that improve outcomes-based contracting. In order to learn from these cases, we must create an environment where policy-makers, practitioners, and researchers are open and frank about SIB failures as well as successes, and evaluations are published promptly. SIBs are being trialled in some of the most challenging areas of social provision at a time of increasing demand and strained resources. Not all evaluations will identify measurable successes. But being transparent about weaknesses is not a sign of failure. The real failure would be not to learn from them.

The GO Lab aims to host a new discussion about improving public services

Our report is not a general guide to SIBs, though it can be read by those for whom SIBs are a new concept. Neither is it a formal academic evaluation of SIBs, though it draws on published research findings. Rather, it sets out the landscape for a fresh, more open, more useful conversation. At the GO Lab, we have a responsibility to our colleagues in public services to host and inform that discussion.



Mara Aioldi
Director of the GO Lab

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Introduction

*This section defines SIBs as partnerships between **commissioners**, who identify the unmet needs of citizens and express a 'willingness to pay' for specific social outcomes; **service providers**, who offer a service or intervention intended to meet these needs and to achieve the outcomes the commissioner desires; and **investors**, who provide flexible financial arrangements over the project duration with their repayment contingent upon the achievement of specified outcomes. It describes how SIBs originated in the UK, which remains a pioneer in this area. Finally, it briefly summarises the polarised debate around the benefits and costs of SIBs.*

Complex social issues such as homelessness, educational underachievement, reoffending, and long-term unemployment resist traditional models of public service delivery. The persistent failure to tackle these issues leaves the needs of some of the most vulnerable and disadvantaged people unmet. Better ways of addressing these challenges would benefit society as a whole as well as the individuals themselves.

These issues are expensive for government to tackle and can be even more expensive to leave unaddressed. But how are public managers to identify the route to better services, when 'what works' is often unknown and the long-term outcomes of interventions can be difficult to measure?

A new model for public service delivery is the Social Impact Bond (SIB). This report explores the ways in which SIBs can offer novel approaches to intractable social issues and offers pointers for commissioners deciding whether a SIB might work in their own case.

The GO Lab aims to assess the evidence impartially. We see SIBs as one instrument among several at the disposal of public sector commissioners. If the approach is to be more widely applied, then it needs to deliver clear benefits compared to other ways of organising service delivery. This report aims to set out a framework by which SIBs might be assessed.

What is a SIB?

Although there is no single agreed definition of a social impact bond, most definitions understand a SIB as a *partnership* aimed at improving the social outcomes for a specific group of citizens or 'beneficiaries'. The central feature of a SIB is that it brings together three key partners: a commissioner (or outcome payer), a service provider, and an independent

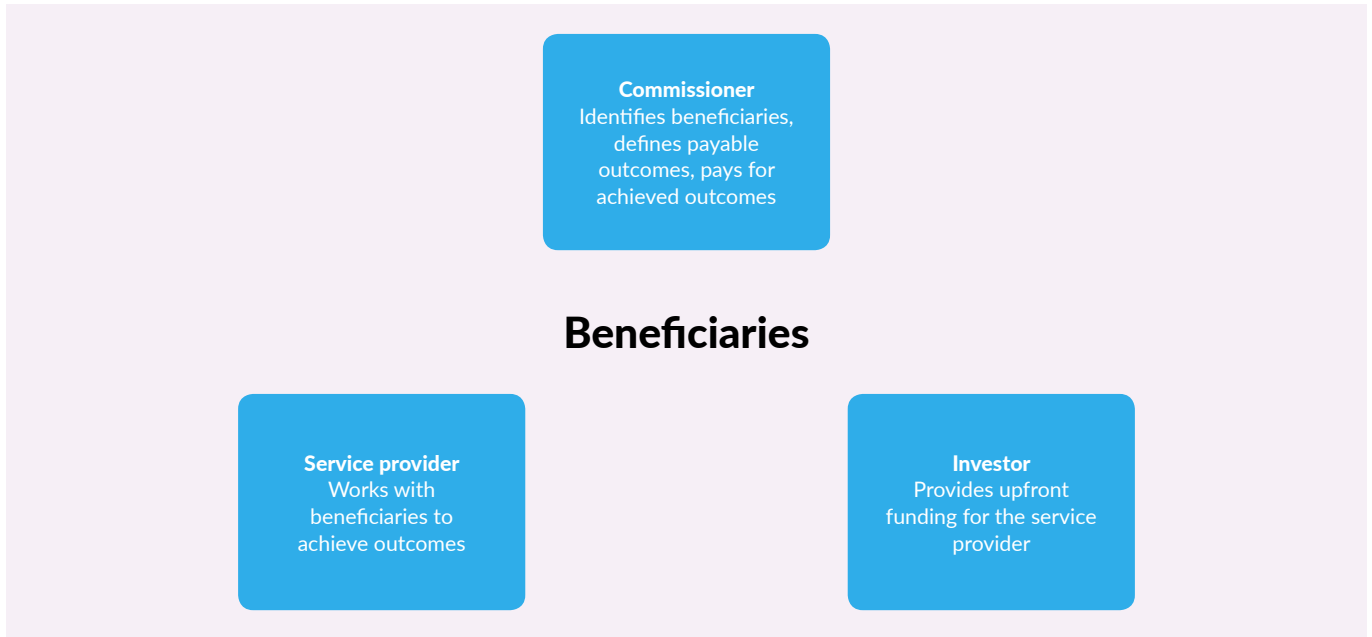


Figure 1: SIBs as partnerships: partners and responsibilities

investor (although in practice a SIB may involve more than one of each type of partner). The commissioner is typically a central or local government organisation; service providers are often – though not always – from the VCSE sector¹; and the independent investors can be mainstream, socially motivated, and/or charitable.

The roles of each key player are outlined in Figure 1. The commissioner identifies the unmet needs and expresses a 'willingness to pay' for specific social outcomes. The service providers offer a service or intervention intended to meet the needs of those beneficiaries and to achieve the outcomes the commissioner desires. As in other forms of outcome-based commissioning, the payment to the provider depends (wholly or partly) on whether the outcomes are achieved. What differentiates SIBs from other forms of outcome-based commissioning is the explicit involvement of one or more investors. Independent investors provide flexible arrangements to finance the project over its duration, rather than expecting the provider to finance from their own reserves or from loans with set payment schedules. The repayment to investors in a SIB is linked (wholly or partly) to whether the outcomes are achieved, protecting the service provider from all or part of the financial risk. The SIB model is thus intended to shift at least some of the financial risk from the commissioner to the investor, while protecting the service provider from all or part of the financial risk of an outcomes-based contract.

How are SIBs used?

Most of the examples in this report are drawn from the UK, which was a pioneer in the development of SIBs and is still a leading proponent. The first SIB was implemented at Peterborough prison in 2010. At the time of publishing this report, 45 SIBs had been launched in the UK with a comparable number worldwide. In the UK, SIBs have been used to fund services for groups such as young people not in education, employment or training (NEET), recently released prisoners, children in or at risk of entering statutory care, and people experiencing homelessness. Figure 2 shows the policy areas and development timeline of UK SIBs.

SIB expectations and rhetoric

There is great variation in how SIBs are designed and there is evidence that they are complex to set up. What advantages do SIBs provide for public service commissioners seeking better social outcomes? SIBs are the subject of both enthusiastic promotion and passionate criticism. Proponents expect SIBs to deliver improvements in social outcomes by aligning the priorities of government, the VCSE sector, and socially motivated investors, around a common goal: effective and efficient improvements in social condition. SIBs are presented as a solution to an apparent lack of public sector innovation and entrepreneurship; a way to move services on to a preventative footing and foster an 'invest-to-save' logic among commissioners; and as a means to provide increased

1. UK Government has no single definition of voluntary, community and social enterprise (VCSE) organisations but broadly the term is used to refer to those organisations who are regulated charities, community interest companies or community benefit companies or businesses that exist primarily to provide benefits for society. In this report, 'voluntary sector' is used interchangeably with VCSE.

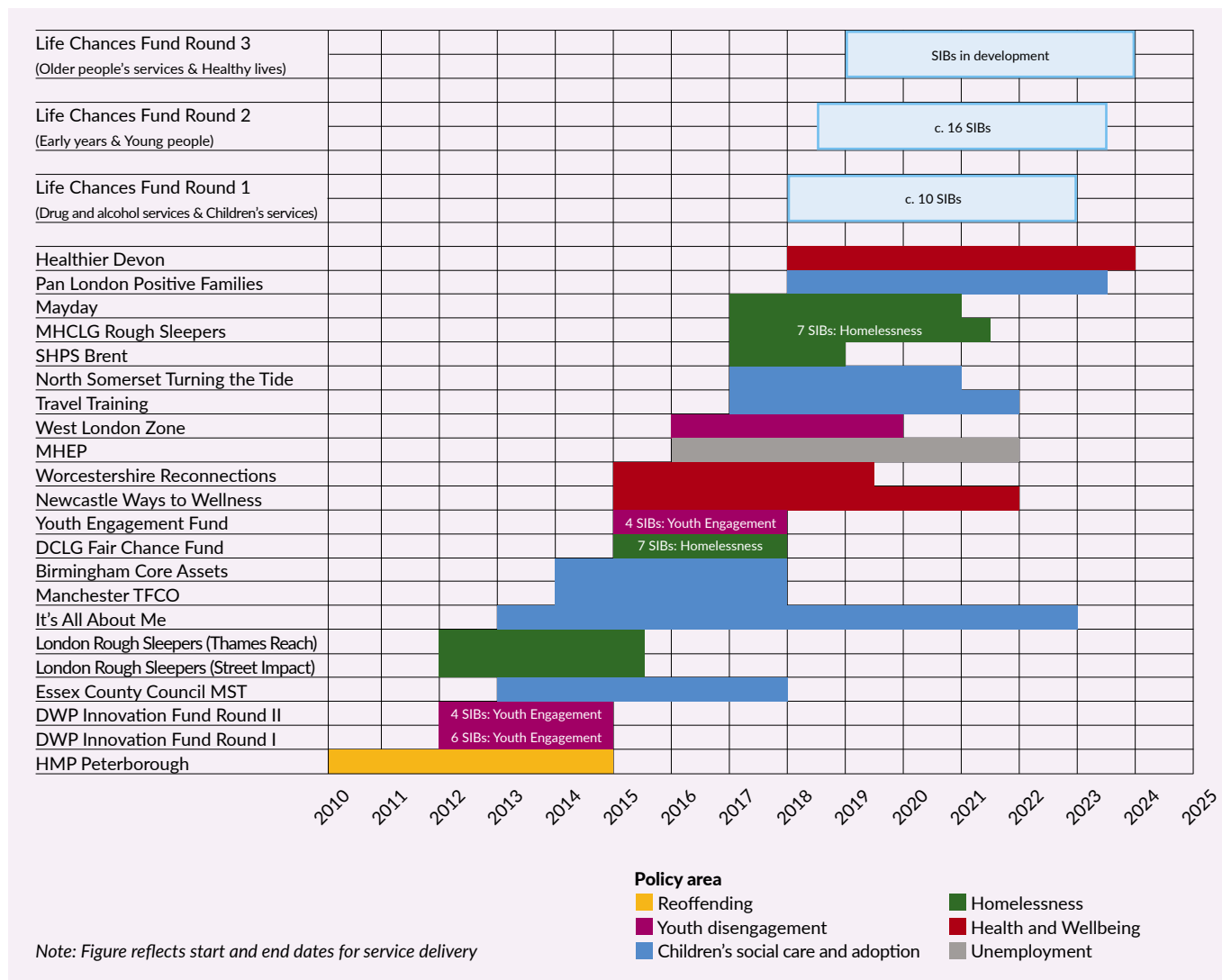


Figure 2: UK SIB projects

accountability through rigorous performance measurement and management. SIBs are credited with the ability both to test innovative approaches at small scale, and to transform the whole approach to public sector delivery.

Detractors, on the other hand, see in SIBs the worst of stifling 'managerialism' and the 'financialisation' of public services, with public policy-making and voluntary sector endeavours subordinated to the profit-seeking imperatives of the financial sector. Payment-by-results (PbR) contracts are presented as inevitably creating perverse incentives with the expectation that PbR incentivises data manipulation rather than the meaningful improvement of outcomes. SIBs are viewed as difficult and costly to set up and manage, dependent upon government set-up grants, and impossible to achieve on a large scale. They are also subject to ethical interrogation, particularly around the presence and unknown magnitude of investor returns.

Underpinning this polarised debate is a very limited evidence-base, making it difficult to evaluate these competing claims. By mid-2018, about 100 SIBs had been launched

worldwide, yet few had produced their final outcomes. So, although there are several reviews that summarise the performance of SIBs, they are based on a relatively small number of cases and generally offer only provisional or interim findings.

Unlocking Social Outcomes through Collaboration, Prevention, Innovation

This section positions SIBs as a promising – but still unproven – model of public service delivery to tackle complex social issues. From the perspective of public sector commissioners, we ask 'how might SIBs be expected to operate?' To provide an answer to this question, we show how SIBs can provide the conditions to 'collaborate, prevent, and innovate' in order to overcome entrenched public service challenges. We explain each of these strategies in turn, and then illustrate this 'theory of change' for the SIB model with promising examples of how this can work in practice.

To move beyond the rhetoric from proponents and detractors of SIBs, we now consider the theory of change for SIBs. This is the underlying logical progression from challenge to solution by which SIBs might be expected to operate. The GO Lab has synthesised the explicit and implicit claims made by SIB developers and proponents to produce the model shown in Figure 3. Each of the three 'pillars' of the figure represents a fundamental challenge of public services. These challenges are: fragmented and siloed agencies and budgets; a short-term political and financial focus; and risk-aversion and difficulty creating change. The lower part of the figure demonstrates how SIBs might address each of these challenges through, respectively: enabling collaboration, unlocking prevention, and encouraging innovation. We unpack the advantages and potential pitfalls of each of these strategies below.

Collaborate: Overcome fragmentation and silos

Social service provision is often fragmented both across the complex provider landscape and amongst commissioners. Providers may struggle to align their services to meet complex needs. Commissioners may have overlapping and inter-related responsibilities. By making collaboration the centrepiece of their contractual relationships through a shared focus on outcomes, SIBs can coordinate effort amongst multiple providers and/or commissioners. This can provide beneficiaries with more efficient and effective 'joined-up' care.

One way in which SIBs can enable collaboration is through the measurement and monitoring of *outcomes* at the heart of the SIB model. Historically, a focus of public service commissioning departments has been on service inputs or streams of activity with different departments and

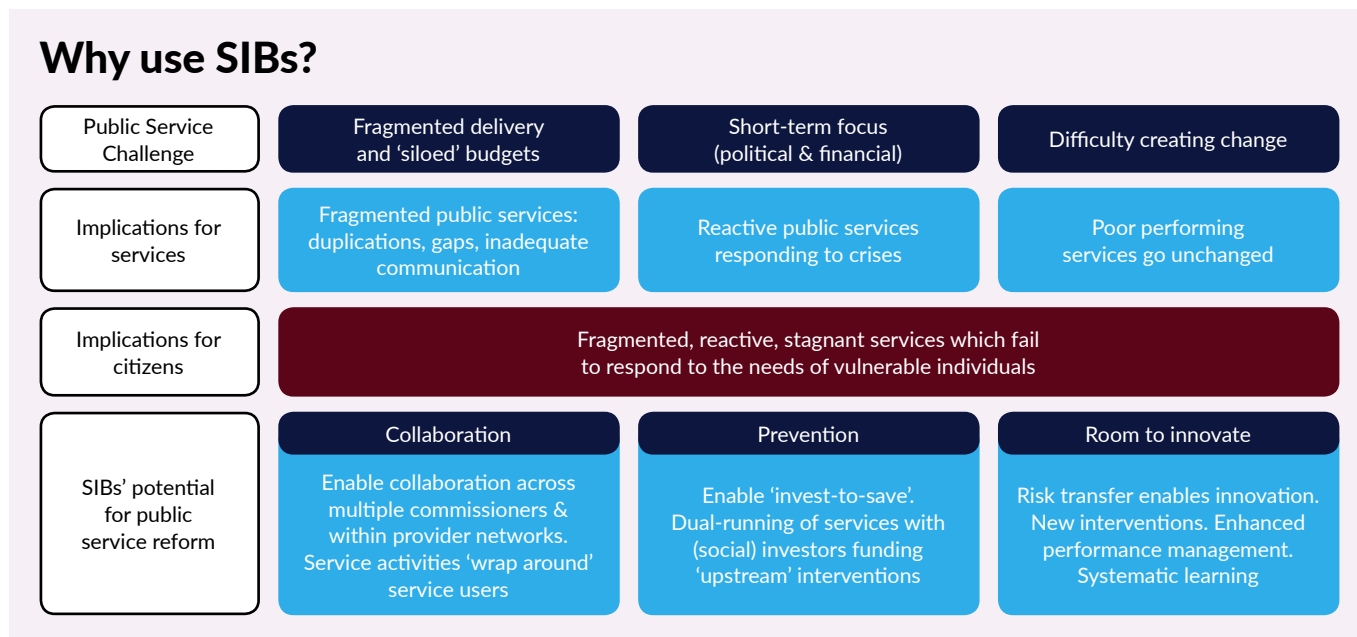


Figure 3: GO Lab's 'Theory of Change' for SIBs – how SIBs might be expected to lead to public service reform

agencies responsible for arranging particular *services*. This departmentalism – often described as a 'silo' – means that synergies and connections across the ultimate objectives of provision are difficult to manage. This may result in gaps for service users, provision may be duplicated, and citizens may be buffeted between several different agencies or service providers.

By refocusing on social outcomes, the development of SIBs may enable several different departmental commissioners or heads of services to come together and jointly identify – and then jointly pay for – the outcomes they hope to achieve. A focus on mutually dependent or aligned outcomes may provide a mechanism to coordinate a variety of commissioners across different units and levels of government.

Related to this, amongst those responsible for managing service delivery a focus on outcomes may facilitate better coordination. As the measured outcomes determine payment from the commissioner to the investor, both parties are incentivised to ensure that service provision responds in the most effective and joined-up way. The availability and communication of accurate data on participants and outcomes has often been noted as a key factor in enabling the success of a SIB. Efficient data-sharing can identify and fill service gaps, refine referral and enrolment mechanisms, and improve delivery practices. Nevertheless, ensuring the effective and timely flow of information contributes to the complexity – and hence the cost – of setting up and managing a SIB.

SIBs are not necessarily unique in enhancing collaboration and as yet there is no systematic evidence to indicate that SIBs achieve greater levels of collaboration than other commissioning mechanisms. However, there are some projects which suggest that meaningful collaboration occurs within SIBs. For example, projects such as the HMP Peterborough SIB and the West London Zone aim to work across policy silos to meet individuals' wider needs: in Peterborough through the coordination of providers, and West London Zone via co-commissioning as well as coordinating providers, as shown in the box below.

Collaboration at HMP Peterborough and West London Zone

In the HMP Peterborough SIB, commissioned by the Ministry of Justice in 2010, an intervention known as 'the ONE Service' was set up to link multiple providers into a single service to support prisoners and reduce reoffending. The ONE Service undertook structured assessments to capture the diverse needs reported by offenders. As a result, voluntary and public-sector providers from health, social care, training, housing, and legal advice were brought into the project, with service providers co-located in the physical 'hub' provided by the ONE Service office. According to the official programme evaluation report², this focus on partnership

2. Disley, E., Giacomantonio, C., Kruithof, K., Sim, M., 2015. The payment by results Social Impact Bond pilot at HMP Peterborough: final process evaluation report. Ministry of Justice Analytical Series

working was central to the successful implementation and operation of the SIB.

West London Zone (WLZ) aims to improve the lives of children and young people living in three square miles of inner west London who are at risk of poor lifetime outcomes. WLZ coordinates a complex network of delivery and commissioning bodies to provide a collective and tailored response to the complex needs of the children and young people they serve. On the delivery side, WLZ leads a partnership of local charities to help children towards a shared set of outcomes, as well as employing on-the-ground 'Link Workers' who build relationships with children and their families to help them make the most of available support. WLZ also coordinates the shared commissioning structure, whereby each child's engagement and outcome milestones are paid for jointly by the Local Authority, the child's school, and a local philanthropist, with top-up from the Big Lottery Fund's *Commissioning Better Outcomes Fund*.

Co-commissioning through UK Outcomes Funds

The adoption of co-commissioning has been supported through the development of a series of 'outcomes funds' which are designed to bring together multiple departments and/or levels of government as joint outcomes payers in SIB projects. These include:

Life Chances Fund (DCMS): £80 million top-up for outcome payments in locally commissioned SIBs that tackle complex social issues across six themes: older people's services, healthy lives, early years, young people, drug and alcohol dependency, and children's services.

Social Outcomes Fund & Commissioning Better Outcomes Fund (Cabinet Office & Big Lottery Fund): £60 million in total to support the development of SIBs in a range of policy areas and where outcomes are principally paid for by local government or health commissioners.

Fair Chance Fund (MHCLG & Cabinet Office): £15 million towards SIBs focused on improving outcomes for young homeless people comprising funding from (then) Department for Communities and Local Government and the Cabinet Office.

Youth Engagement Fund (Cabinet Office, MoJ, DWP): £16 million to help disadvantaged young people aged 14–17 to improve their employability, reduce long-term dependency on benefits and reduce their likelihood of offending.

Prevent: Intervene earlier to prevent crisis or deterioration

A key way to improve social outcomes is to prevent issues from arising at all or to stop existing problems from getting worse. Some form of prevention is of course central to many public services from public health initiatives to early-years education. As well as improving short-term outcomes, this approach is intended to generate savings by avoiding the need for costly remedial services at a later date. However, commissioners often face challenges in running preventive interventions alongside existing services. Resources are often fully committed to meeting current needs and reacting to crisis-point situations, which means that prevention is often the 'Cinderella service', coming last in the allocation of limited resources. SIBs can alleviate this budgetary pressure through 'double-running' of budgets: social investment can be used to fund a preventative intervention and, if successful, will decrease the reliance on further services in future. As time goes on, the expectation is that more core funding can be allocated to prevention.

Many UK SIBs have a preventive focus. Some focus on 'primary' interventions to enhance individuals' life chances before issues become entrenched. Others focus on 'secondary' interventions to prevent adverse conditions from deteriorating. Examples of each type are shown in the box below.

Preventive SIBs commissioned by the DWP and Birmingham City Council

Primary prevention: the DWP Innovation Fund SIBs

In 2012, the Department for Work and Pensions (DWP) commissioned a total of ten SIB projects across the UK aimed at re-engaging young people with education, employment and training (to reduce their time spent 'NEET'). The young participants still in the education system were a wholly new group of beneficiaries for the DWP which typically only supports people of working age. These SIBs had an explicitly preventive focus, with providers obtaining payment from DWP for outcomes such as school engagement and qualifications that were related to increasing the young people's future employment prospects. The scheme was judged a success in a qualitative evaluation³ and in 2014 the DWP commissioned a further set of SIBs under the Youth Engagement Fund.

Secondary Prevention: Birmingham City Council Step-Down Programme SIB

Research has shown that foster care is associated with better educational outcomes for young people than residential care, and that stable, long-term foster placement is associated with still better outcomes⁴. Foster care is also considerably less costly than

residential care. The Birmingham SIB aimed to help carefully chosen young people to move safely from residential care to specialist foster care with the key aim of maintaining the placement for 52 weeks or more. The SIB thus aimed to prevent the deterioration of the young people's life chances through prolonged periods in residential care or multiple short-term placements. This SIB resulted in stable placements for 70% of the 20 young people referred to the scheme during its first two years, and an increase in positive activities and engagement with school. The residential costs saved were estimated to have considerably exceeded the cost of the programme⁵.

Innovate: Overcome difficulty to change and risk-aversion

A frequently articulated rationale for SIBs is that they create room for innovation by transferring financial risk to the investor and away from both commissioner and service provider.

'Innovation' is a flexible term and we use it here to capture new methods and changed approaches which may operate by several mechanisms: innovation in provider selection, choice of intervention, and types of performance management.

First, the presence of social investment is intended to allow a wider range of providers to enter the public service market.

Small providers, well rooted in the local community, may offer particularly tailored and innovative solutions. However, conventional PbR contracts put up financial barriers to smaller voluntary sector providers as their cash reserves are often low and the ultimate payment is uncertain. Consequently, such PbR contracts have often gone to large private sector service providers, resulting in perceived 'business as usual' relationships between commissioner and contractor. In SIBs the investors' capital allows smaller providers

to bid for outcomes contracts, and the commissioner is free to consider 'riskier' or 'alternative' providers as only successful outcomes will be paid for.

Second, the focus on outcomes frees service providers to offer innovative interventions and, if necessary, the flexibility to modify those interventions during delivery. This 'black-box' approach is a feature of many outcomes-based contracts (though the level of delivery specification varies). Providers and investors are given flexibility to adapt or replace interventions that are not producing outcomes with more promising ones.

Third, and related to the two previous mechanisms, performance measurement and performance management are central to SIBs. The investor (or special purpose vehicle (SPV) that coordinates the partnership) makes efforts to protect their investment and pursue a return. This, it is argued, creates novel forms of performance measurement and management that commissioners may not routinely have the capacity or skill to support. Similarly, it creates a new way of working for the service provider. SIB investors and SPVs have often been proactive in offering technical support and advice regarding data collection and analysis, as well as instilling a 'performance culture' for continuous improvement across the partnership. At its best, a shared focus on outcomes can drive improved service delivery, a greater understanding of 'what works,' and greater trust and cooperation between the partners. At worst, it may lead to micromanagement and a breakdown in relationships. The pressures and tensions within overly

“At its best, a shared focus on outcomes can drive improved service delivery, a greater understanding of ‘what works,’ and greater trust and cooperation between the partners. At worst, it may lead to micromanagement and a breakdown in relationships.”

3. Griffiths, R., Thomas, A., Pemberton, A., 2016. Qualitative evaluation of the DWP Innovation Fund: Final report (No. 922), Government Social Research. Department for Work and Pensions

4. Sebba, J., Berridge, D., Luke, N., Fletcher, J., Bell, K., Strand, S., Thomas, S., Sinclair, I., O'Higgins, A., 2015. The Educational Progress of Looked After Children in England: Linking Care and Educational Data. REES Centre, University of Oxford; University of Bristol

5. Plumridge, G., Meakings, S., Sebba, J., 2017. Step-Down Program Evaluation Report of the Preliminary Findings. the REES Center, University of Oxford Department of Education, table 3

intrusive performance management arrangements can lead to perverse behaviour and 'gaming' of outcomes.

This enhanced level of data gathering and focus on performance measurement can also support longer-term evaluations by independent bodies. While rigorous evaluation might be perceived by commissioners as an additional expense, evaluation findings should allow the commissioner to assess the programme's long-term value for money and better inform future commissioning rounds. A virtuous circle of data collection, evaluation, and learning should mean that best practices become embedded in public service provision.

There is considerable evidence from qualitative evaluations that SIBs result in innovative performance management practices for service providers and commissioners alike. However, the evidence that SIBs drive innovation in provider selection or interventions is not as clear. Some examples are shown in the boxes below. But opposing incentives are also in play. Each of the partners has a strong interest in ensuring the SIB's success. Service providers need to demonstrate their competence in the hope of securing further contracts so may not risk offering innovative interventions. Investors do not have an unlimited appetite for financial risk and commissioners cannot afford – or are politically unable – to offer sufficiently high returns to compensate for that risk. And while commissioners may transfer all or some of the financial risk to the investor, they still face the reputational risk of a high-profile programme failure. Furthermore, the commissioners' financial risk is rarely wholly transferred. In the event of limited SIB performance success, the commissioner is left with the responsibility of paying for remedial services as well as the partial outcomes achieved. As a result of these pressures, SIBs frequently rely on previously-tested or well-understood interventions. Indeed, the commissioners of some SIBs specify the precise intervention (such as multisystemic therapy), which represents a distinct departure from the original 'black-box' narratives.

Innovation in Newcastle Ways to Wellness and Teens and Toddlers

Innovative interventions: Social prescribing via the Ways To Wellness SIB

Social prescribing, where patients are helped to access non-clinical social activities, is a relatively untested intervention with few rigorous evaluations. One of

the first UK organisations to offer this intervention on a large scale, the Ways To Wellness SIB, was commissioned in 2015 by the Newcastle Gateshead Clinical Commissioning Group. It is funded for 7 years and intended to serve up to 11,000 users over that time. Patients with long-term health conditions are helped to manage their illness through healthier behaviour, increased community participation, and better access to specialist health services, aided by dedicated 'link workers' assigned to each patient. A qualitative evaluation of 30 patients referred to the programme found a consistent improvement in self-reported well-being and engagement with activities, as well as positive reports on the role of link workers.⁶

Innovative provider: Teens and Toddlers Innovation Fund SIB

Teens and Toddlers was one of the DWP SIBs aimed at supporting young people at risk of becoming NEET. Each young person on the scheme was paired with a toddler in a nursery setting and supported to become a mentor and role model to the toddler, and to raise their own levels of achievement and aspirations. The SIB structure allowed the Teens and Toddlers charity (now known as Power2) to deliver its programme on a much larger scale than previously and to develop its approach to performance management and risk analysis. As Joanne Hay, the charity's chief executive, wrote: "For Teens and Toddlers, the Innovation Fund Social Impact Bond has undoubtedly worked well: it is a model the charity has benefitted from hugely. The Innovation Fund has allowed us to grow faster, while providing us with all the right backing that growth requires. Three years' worth of investment brought with it the advantages of being able to plan, recruit experienced staff and deliver sustainable programmes with guaranteed funding in place. As a result we have been able to learn, refine and adapt our programme and develop the way we work with schools."⁷

6. Moffatt, S., Steer, M., Lawson, S., Penn, L., O'Brien, N., 2017. Link Worker social prescribing to improve health and well-being for people with long-term conditions: qualitative study of service user perceptions. *BMJ Open* 7, e015203. <https://doi.org/10.1136/bmjopen-2016-015203>

7. Butler, H., Flory, J., Angeline, R., 2016. The Energise and Teens & Toddlers Programmes 2012-2015. *Social Finance*, page 39

Keys to Collaboration, Prevention, and Innovation

In this section, we suggest that there exist four key dimensions (or 'active ingredients') of SIBs which may lead to better collaboration, prevention, and innovation: 1) nature and strength of PbR, 2) nature of capital used, 3) social intent of provider, and 4) managerial approach. We discuss the ways in which we observe variation in these dimensions among the UK SIBs to date. These variations present a great opportunity for learning and for addressing unanswered questions on how to improve public service delivery.

There is no single agreed definition of what a SIB is. We described it earlier in terms of the different roles of commissioners, providers, and investors. We also suggested that the 'promise' of SIBs is their ability to enable improved social outcomes in fragmented, reactive, and inert public service systems through better collaboration, prevention, and innovation. To date there is no research which considers variation in SIB definitions and structures and the implications of this in bringing about collaboration, prevention, and innovation. It is crucial to assess whether SIBs – when compared to other commissioning approaches – ultimately deliver improved outcomes. We consider the features of the SIB that may bring about better practices and outcomes as the 'active ingredients' of SIBs.

There is a high degree of variation in SIB arrangements and considerable malleability in what is understood as a 'SIB'. There is a certain 'stretchiness' to the basic definition and it is not always obvious whether a particular contractual partnership is a SIB. This is crudely observed in the changing criteria used by analysts in published lists of SIBs. For example:

"...a mechanism that harnesses private capital for social services and encourages outcome achievement by making repayment contingent upon success."⁸

8. Gustafsson-Wright, E., Gardiner, S., Putcha, 2015. The potential and limitations of impact bonds: Lessons from the first five years of experience worldwide. Brookings. HM Government, 2012. Innovation Fund Key facts [WWW Document]. URL https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/212328/hmg_g8_factsheet.pdf (accessed 10-Jul-18), page 10

“...a form of payment by results...where private, non-government investors pay for an intervention, and if certain results are achieved, are paid back their initial investment plus an additional return on that investment.”⁹

“...a commissioning tool that can enable organisations to deliver outcomes contracts and make funding for services conditional on achieving results. Social Investors pay for the project at the start, and then receive payments based on the results achieved by the project.”¹⁰

“...a new mechanism for the delivery of public services... involv[ing] four different parties: commissioners – normally central or local government bodies responsible for ensuring relevant services are made available to target populations; service providers who will deliver the services commissioned; external investors who cover (all or some of) the upfront costs of service provision, in exchange for a commitment by commissioners to re-pay their initial investment plus a return if pre-defined target outcomes are achieved; and specialist intermediaries who are often involved in developing the project, securing the contract with commissioners, facilitating investment and managing the project’s delivery.”¹¹

“...Social Impact Bonds are designed to overcome the challenges governments have in investing in prevention and early intervention. They mitigate the risks of failure and bring in impact investors, who want to test innovation and scale successful programmes. Investors provide flexible funding to programmes that are designed to be responsive to the needs of vulnerable groups to improve their lives.”¹²

“...contracting using...two tools...a performance contract and an operating loan.”¹³

Through a systematic review of the literature and ongoing conversations with SIB practitioners, the GO Lab have distilled four potential key dimensions (or ‘active ingredients’) along which SIBs vary. First, the degree to which a commissioner pays on outcomes (i.e. nature and strength of

PbR). Second, the nature of capital used to fund services and level of risk appetite. Third, the degree to which social intent or motivation is assured through the legal form or mission of provider organisations (or investors). The fourth dimension relates to the strength of the performance management function associated with the SIB project. We sketch out the components in Figure 4.

Figure 4 indicates that a ‘textbook’ SIB is found at the core of these four dimensions: payments are made purely for outcomes; the capital provided by investors is (voluntarily and knowingly) wholly at risk; providers are charities or otherwise give strong assurance of their social mission; and there is a strong, dedicated, performance management function.

In practice UK SIBs stretch beyond this ‘textbook’ specification – broadening our understanding of what constitutes a SIB. There is considerable variation in the approaches taken and no clear understanding of what combination may work best under different circumstances. Developing this understanding is a core objective of the GO Lab.

In the following sections, we consider each of these dimensions.

Nature and strength of payment for outcomes

Under the original articulation of SIBs, the payment model is bound up with a robust quantitative impact evaluation. Payments are only made when the outcomes achieved by beneficiaries receiving the SIB-backed service are significantly better than what would have happened without the intervention. For example, in the first ever SIB at Peterborough prison, the reduction in reconvictions amongst the cohort of eligible prisoners was judged using a real-time matched control group of prisoners with similar characteristics who were released from other UK prisons and who were not receiving the intervention¹⁴. The use of experimental approaches such as Randomised Control Trials (RCTs) and quasi-experimental methods ensures that there is a robust estimate of the improvement in social outcomes attributable to the service, compared to what would have happened otherwise (the ‘counterfactual’).

9. Disley, E., Giacomantonio, C., Kruihof, K., Sim, M., 2015. The payment by results Social Impact Bond pilot at HMP Peterborough: final process evaluation report. Ministry of Justice Analytical Series, page 1

10. Department for Digital, Culture, Media and Sport, 2012. Social Impact Bonds [WWW Document]. GOV.UK. URL <https://www.gov.uk/guidance/social-impact-bonds> (accessed 10-Jul-18)

11. Fraser, A., Tan, S., Lagarde, M., Mays, N., 2016. Narratives of Promise, Narratives of Caution: A Review of the Literature on Social Impact Bonds. Soc. Policy Adm. n/a-n/a. <https://doi.org/10.1111/spol.12260>, page 4–5

12. Social Finance, 2018. Social Finance UK [WWW Document]. URL <http://www.socialfinance.org.uk> (accessed 10-Jul-18)

13. Government Performance Lab, 2018. Pay for Success—Social Impact Bonds [WWW Document]. URL <https://govlab.hks.harvard.edu/social-impact-bond-lab> (accessed 10-Jul-18)

14. Disley, E., Rubin, J., Scraggs, E., Burrowes, N., Culley, D.M., 2011. Lessons learned from the planning and early implementation of the Social Impact Bond at HMP Peterborough, page 34



Figure 4: GO Lab's Key SIB Dimensions – what might drive collaboration, prevention, and innovation?

However, the use of such quasi-experimental methods in the UK is rare. The majority of UK SIBs use validated administrative data to release outcome payments without the use of a counterfactual. This is a sharp contrast with the US experience where the majority of SIB outcome payments are made following a robust quantitative impact evaluation such as an RCT. US commentators put particular emphasis on the presence of an independent assessor to verify outcomes achieved, often through a process of audit or by appointing an independent organisation directly responsible for measuring outcomes¹⁵.

The concept of 'outcomes' is also flexible in practice. In some UK SIBs, a proportion of payments are made for activity or interim measures, such as preliminary assessment meetings or improved behaviour at school (see box below for examples). It can be difficult or impossible to measure the true long-term social outcomes or benefits to society in a reasonable time, so proxy measures are used instead.

Thus, there is a balance to be achieved between the robustness of the outcome metric(s) and pragmatic considerations around data availability, costs and timing. The experience from the SIB at Peterborough prison indicates that the development of a 'methodologically robust outcome measure, which had the confidence of all stakeholders,' was a time consuming and analytically complex process which developed incrementally¹⁶. Furthermore, payment for short-term output and interim milestone metrics ensures cash-flow

from commissioners to sustain projects in the short-to-medium term, reducing the cost of capital. Earlier payments may also contribute to staff motivation as they can be interpreted as an acknowledgement of good progress towards achieving outcomes.

During development, therefore, SIB projects must balance three competing pressures. First, in the specification of outcomes, which should be as close as possible to the overarching policy intent whilst being 'measurable' at reasonable cost. Second, in balancing nearer term activity or milestone payments and longer-term outcome payments. Third, in considering how to account for the expected level of achievement in the absence of the intervention, whether by adopting robust attribution methods or by adjusting rate-card payments to take account of an assumed (or historical) estimate of what might have happened anyway.

Using rate cards in the DWP Innovation Fund

In the Innovation Fund the Department for Work and Pensions used a 'rate card' approach to outcome metrics. Under this fund, the intention was to support young people who are NEET or at risk of becoming NEET to reengage with education and move closer to

15. Liebman, J., 2011. Social Impact Bonds. A promising new financing model to accelerate social innovation and improve government performance. Centre for American Progress. https://cdn.americanprogress.org/wp-content/uploads/issues/2011/02/pdf/social_impact_bonds.pdf, page 5

16. Disley, E., Rubin, J., Scraggs, E., Burrowes, N., Culley, D.M., 2011. Lessons learned from the planning and early implementation of the Social Impact Bond at HMP Peterborough, page 36

employment. In developing the Innovation Fund, DWP recognised that it could take a number of years to track the final employment outcomes for young people and therefore developed a series of proxy intermediate 'outcome' measures which the department was prepared to pay for. These proxy outcome measures were pursued and monitored on an individualised basis and it is the demonstrable outcomes of individuals that trigger outcome payments. These proxy outcomes each had a maximum price attached and were listed in the Innovation Fund 'rate card'. Providers then had the flexibility to select which outcomes within this range of proxies they would focus on with the cohort of young people they elected to work with. Providers were invited to bid at a discount below these maximum prices (HM Government, 2012).

Nature of Outcome	Maximum Price
Improved attitude towards school	£700
Improved behaviour	£1300
Improved attendance	£1400
Entry Level Qualification	£900
NVQ level 1 or equivalent	£1100
NVQ level 2 or equivalent	£3300
NVQ level 3 or equivalent	£5100
Entry into employment	£3500
Sustained employment	£2000

Research to date is not yet able to give strong signals about how best to make these trade-offs. For example, is it necessary or even beneficial to put full weighting of payment on to outcomes in a given context (i.e. operate under 100% PbR)? Should some proportion of the contract value be paid for 'activity' rather than outcomes? How do providers behave in light of administratively defined outcome measures compared to independent impact evaluations? What is an appropriate amount to spend on auditing outcomes data?

Nature of capital used to fund services

Within the 'textbook' SIB approach, all of the capital invested by socially motivated investors is at risk. The social investor will recover capital and be compensated with returns depending on the extent to which specified outcomes have been achieved. This involves investors knowingly providing risk capital and fully shouldering the risk of non-delivery of outcomes in pursuit of 'blended' returns: financial *and* social. Here the SIB mechanism is intended to shield service providers from the risk of not being paid should outcomes not be met, as well as mitigate the cash-flow impacts of payments being deferred until outcomes are known.

In practice a range of investment approaches have been adopted in UK SIBs. Provider organisations may take a share of the risk (and potential reward) associated with their performance in delivering the desired outcomes. In some of the existing UK SIBs, service providers may receive a bonus for good performance and/or take on losses in the event of poor performance. This is seen through the two Greater London Authority Rough Sleeper SIBs. St Mungo's operated as both a provider and minority investor, thereby partially aligning the delivery organisation's incentives with investors. Similarly, Thames Reach took on a loan to fund the intervention in this SIB and therefore this VCSE organisation shouldered the substantial financial risk of paying back the loan and interest regardless of its own performance. There is no expectation that providers will operate in this risk-sharing manner, but providers are not excluded from taking on a portion of the performance risk by 'investing in themselves' in this way.

This flexibility in SIB financing arrangements, combined with the absence of a clear definition of social investors, suggests that there is no firm boundary between a so-called SIB and the financing approach adopted within more conventional PbR programmes. Within mainstream PbR programmes in public services – such as the DWP's Work Programme – it is also likely that delivery organisations secure working capital requirements from other sources. This may be achieved through a traditional loan (i.e. capital not knowingly provided on an outcomes-contingent basis) or through the delivery organisation's own reserves.

One of the key risks within outcomes-based contracts is that underperformance against targeted outcomes will result in severe financial pressures for providers. The risk then is that providers, in the face of underperformance, will retreat to extreme cost-cutting measures to bear down on the costs of service delivery in order to protect margins and minimise future losses. This means that services may disinvest in the face of underperformance. Anecdotally, the involvement of more flexible, ring-fenced working capital dedicated to particular projects may protect against this, particularly if this is structured with sufficient headroom to provide further investment following poor performance in early stages of delivery.

We don't know what effect, if any, a SIB structure has on decision-making. However, as SIBs continue to develop in unforeseen ways, they may effectively move away from projects where socially motivated investors provide all of the working capital at risk to ones that look and feel more like 'conventional' PbR. This kind of variation is fertile ground for research which explores how the characteristics of capital, outcomes, and incentives influence the function of major public service projects. Relatedly, it provides an opportunity to build understanding of the risk and return profiles within SIBs and, from a commissioner perspective, consider what an appropriate cost of capital will be for differently structured projects. And of course, it offers an opportunity to explore possible routes to improve the effectiveness of services.

Social intent of provider organisations

The Open Public Services agenda of the 2010–2015 Coalition government praised plurality of provision for its own merits. Relatedly, there is a longstanding trend of policy-makers prizing the involvement of smaller, perhaps more nimble, voluntary sector organisations due to their perceived ability to provide innovative service offers and better engage and support ‘harder to help’ groups. This pro-social motivation or mission orientation is believed to overcome perverse incentives which may otherwise plague PbR arrangements. These perverse incentives are thought to promote opportunistic behavior among providers (and investors). Such behavior principally includes creaming (helping only the easiest to treat), and parking (diverting attention from beneficiaries who require more support).

One of the earliest articulations for the justification of SIBs is that they diversify public service provision and bring the prospect of opening up PbR contracts to a more diverse array of provider organisations, especially VCSEs^{17, 18}. Hence the ‘textbook’ SIB project would involve service delivery by a voluntary sector organisation.

In the UK practice of SIBs, however, providers are not exclusively from this sector. There are several projects which call themselves SIBs but which feature delivery organisations from the private sector (e.g. Core Assets’ engagement in Birmingham), as well as the public sector, (e.g. in Nottingham under the Innovation Fund, and the South West London and St George’s Mental Health NHS Trust in the Pan-London Positive Families SIB).

The resounding question here, for SIBs but also more broadly, is whether sector really matters in the delivery of public services. A ‘yes’ answer is appealing, particularly in light of recent private provision failures. However, there is limited evidence to suggest that voluntary sector organisations, even small ones, are any less swayed by available incentives than other providers. VCSEs can also fail or be hit by financial or operational scandals. Studies which explicitly test for differences in the experiences of and outcomes achieved by providers belonging to alternative sectors often find nothing¹⁹.

Management approach

Arguably, the two most famous axioms in contemporary management are “management matters” and “what gets

measured, gets managed”. Performance management is a system of internal organisational processes based on regular, formal tracking of quantitative measures geared towards results. It is one of the most widely pursued public sector reforms in recent decades. Performance management is often thought about in cycles. It is a process of collecting quality performance information, distilling that information into actionable changes, and then enabling those changes to occur.

Given the financial imperative for good performance in SIBs, it is perhaps unsurprising that projects often bring in external staff to undertake one or more parts of a performance management cycle – data collection, data synthesis, and data-informed change. Sometimes intermediary organisations or SPVs play this role. In other instances, investors provide performance management support directly. Importantly, there is no reason why providers and commissioners *have* to outsource this function, but rarely does it occur in-house for SIB projects. Exceptions include Nottingham City Council and West London Zone. The former both invested in and managed its own SIB in the first round of the DWP Innovation Fund. The latter functions as a service provider and a social sector prime contractor.

Much of the conversation about management in SIBs focuses on *who* is doing it. While there are important considerations in balancing managerial incentives and the public interest, the more important take-away is not so much that it matters who manages, but rather that resources are allocated specifically to support this function. Thus, the important dimension of variation within SIBs is commitment – often in the form of time and funding – to performance management.

This is an interesting development in a space where it remains to be seen how meaningful the take-up of performance management has been among government and charity sector public service professionals. Indeed, a great deal of academic output has pointed out the ways in which performance management doctrine fails in practice: chiefly, that managers do not use performance information to drive decision-making²⁰. What is interesting about SIBs is that, with capital at-risk, a greater diligence seems to be built into data collection and managerial routines.

17. HM Government, 2013. Growing the Social Investment Market: HMG Social Investment Initiatives 2013. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/204990/HMG_social_investment_initiatives_2013.pdf

18. Roberts, T., 2012. The Centre for Social Impact Bonds. *Civil Service Quarterly*. <https://quarterly.blog.gov.uk/2013/10/22/the-centre-for-social-impact-bonds/>

19. Aiken, M., Bode, I., 2009. Killing the Golden Goose? Third Sector Organizations and Back-to-Work Programmes in Germany and the UK. *Soc. Policy Adm.* 43, 209–225. <https://doi.org/10.1111/j.1467-9515.2009.00658.x>; Rees, J., Taylor, R., Damm, C., 2013. Does sector matter? Understanding the experiences of providers in the Work Programme

20. Kroll, A., 2015. Drivers of Performance Information Use: Systematic Literature Review and Directions for Future Research. *Public Perform. Manag. Rev.* 38, 459–486. <https://doi.org/10.1080/15309576.2015.1006469>; Sanger, M.B., 2013. Does Measuring Performance Lead to Better Performance? *J. Policy Anal. Manage.* 32, 185–203. <https://doi.org/10.1002/pam.21657>

Evaluation of SIBs to Date

This section provides an overview of the current evidence regarding SIBs. We find that most evaluations have focused on the efficacy of interventions, though often without robust quantitative impact evaluation. Few studies, however, have investigated the impact of the SIB commissioning approach itself. We suggest that a key contribution that the GO Lab can make is to clarify where and how SIBs might add value when compared to more conventional public service provision.

The flexible nature of SIBs creates uncertainty as to the key enablers and barriers in the pursuit of better outcomes. We have articulated an emergent ‘theory of change’ (i.e. collaboration, prevention and innovation) that helps us understand how SIBs might be expected to work. We have also articulated four key dimensions that we suggest are important: the nature of PbR, the nature of capital at-risk, the social intent of providers, and the management approach. These dimensions, in particular combinations and in particular circumstances, may be enablers (or barriers) to achieve better performance. We believe these are useful steps to organise thinking and to create a common language. This is a first step in developing a constructive dialogue between researchers and practitioners interested in understanding how we can better tackle complex social problems.

Robust evaluation can help us build on learning from past projects to improve future policy and practice. Evaluation is arguably even more important for SIBs, as it is a relatively novel form of commissioning with broader implications for the use of outcomes-based approaches. Ideally, SIBs should be evaluated in ways to help identify ‘what works when’. While there are interesting implications from examining whether a particular project worked well, there are broader questions to be answered. This section outlines the potential learning we can unlock from evaluating SIBs, provides a review of the evaluation work to date, and offers thoughts on how we can bolster the SIB evidence base in future.

Existing evidence

The existing evidence base behind SIBs is limited. A systematic review undertaken by the GO Lab in 2017 identified 33 relevant empirical evaluations of UK SIBs. Frequently, the

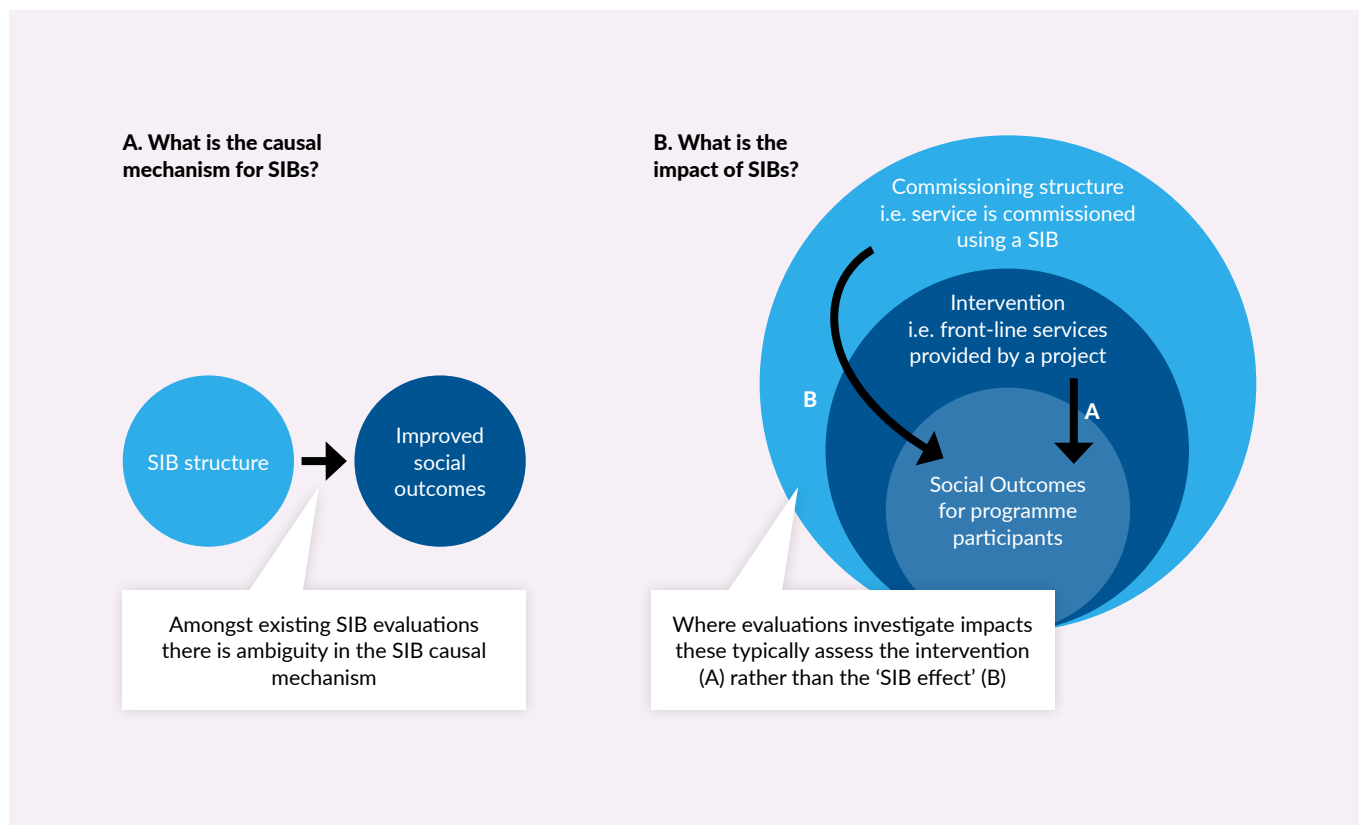


Figure 5: Assessing the evidence on UK SIBs

research was funded by the same institution which paid for the outcomes within a given SIB, and often that same institution produced the evaluation report, instead of findings coming directly from evaluators. Within these evaluations, 18 used qualitative methods (e.g. process descriptions and interviews), and five used quantitative methods (e.g. impact evaluations using propensity score matching) which only covered two projects. Ten used a mix of methodologies, although within these reports the inclusion of quantitative data is primarily illustrative and does not indicate substantive quantitative evaluation. Around a third of these evaluations do not fully describe or seem not to make use of well-established or well-tailored research methodologies. This may be appropriate for rapid, consultancy-style research, but it raises questions as to the representativeness and validity of findings.

“Most of these evaluations concentrate on the effect of the intervention rather than the extra efficacy or efficiency (if any) added by the particular SIB commissioning strategy.”

Most of these evaluations concentrate on the effect of the intervention rather than the extra efficacy or efficiency (if any) added by the particular SIB commissioning strategy. So, in terms of findings, recommendations typically focus on whether or not the intervention functioned as anticipated. They do not provide analysis of how the different dimensions of the SIB advanced or undermined the setup and running of the project.

This is partly due to the fact that these evaluations rarely set out a clear logic or ‘theory of change’ to show why commissioning using a SIB is expected to unleash improvements compared to alternative ways of commissioning. As a result, there is rarely evidence presented for how a SIB brings together key dimensions to unlock collaboration, prevention, and innovation, let alone whether collaboration, prevention, and/or innovation beget better outcomes.

In addition to the limited evaluation around the key ‘logics’ or theory of change of SIBs, there have been very few impact evaluations of SIB projects. Impact evaluations are helpful tools to measure whether a project is making a difference to outcomes beyond what would have happened anyway. They are particularly useful for SIBs as they can help confirm

“By developing robust evaluations that seek to both tease out the active ingredients of SIBs and rigorously measure impact, we can improve our understanding of what actually makes a difference, for whom, how, why and in which circumstances.”

that the outcomes that commissioners are paying for can be attributed to the SIB-funded intervention. The five quantitative evaluations mentioned above do seek to determine impact, but only relate to HMP Peterborough and the Greater London Authority Rough Sleepers SIBs. Additionally, there have not been any quantitative impact comparisons of the effect of different commissioning strategies (i.e. SIB and non-SIB) for the same cohort and intervention. It is therefore extremely difficult to disentangle the ‘intervention effect’ from the ‘SIB-effect’ when trying to decipher how outcomes are achieved. In other words, it remains unknown whether particular interventions perform better or worse under different commissioning approaches.

SIB evaluation challenges

For any given social challenge or area of public service delivery, commissioners can choose between several options for the arrangement of services, such as in-house delivery, fee-for-service, traditional PbR, or a SIB. SIBs are one form of commissioning approach which, if they live up to their promises, might respond to the public service challenges of fragmentation, short-termism and inertia *as well* as supporting the delivery of a specific service or intervention. However, it is often difficult to know whether it is the SIB approach or the intervention which is making – or breaking – the achievement of improved social outcomes. For example, the Peterborough SIB successfully reduced reoffending rates, but a number of commentators have questioned (i) whether it was necessary to fund the intervention through the use of a SIB (*why not use a grant or fee-for-service arrangement?*) and (ii) what, if any, added value did private capital bring aside from covering upfront service delivery costs? From the available evidence it is not yet possible to draw decisive conclusions about the impact or value of the SIB mechanism itself. We know the Peterborough project was successful as it reduced reoffending, but we don’t yet understand how to identify the most appropriate

commissioning tool or the ways in which the commissioning arrangement interacts with service delivery in order to get to the best possible outcomes.

There is potential to build the evidence base in a way that provides concrete recommendations for improving service delivery. SIBs are a rich environment for experimentation because they set out to unlock collaboration, prevention and innovation. By developing robust evaluations that seek to both tease out the active ingredients of SIBs and rigorously measure

impact, we can improve our understanding of what actually makes a difference, for whom, how, why and in which circumstances.

To advance our understanding, the GO Lab plans to help develop this evidence base by conducting evaluations of ongoing SIB projects. In particular, we are planning a robust evaluation of the Essex Multisystemic Therapy SIB, designed to prevent children from entering in to the care system. We are also the official evaluators for projects coming through the Life Chances Fund, an £80 million top-up fund from the UK central government for locally developed SIBs. Through this work, we hope to develop learning from SIBs that can improve outcome-based commissioning approaches to public service delivery.

Conclusion

The UK, like many countries, is grappling with the challenge of addressing complex social needs and striving to improve social outcomes, especially for the poorest and most vulnerable citizens. SIBs are one innovation that is being piloted, especially to address difficult social problems (for example, homelessness, reoffending, children at risk of going into care, disengaged young people) where nothing to date has been very effective.

In the past few years SIBs have been the subject of a very polarised debate. SIB proponents have at times made unrealistic claims on the ability of SIBs to deliver a win-win-win solution for all partners as they deliver better social outcomes, responsive and innovative approaches, and cashable savings. SIB detractors have seen SIBs as the worst expression of managerialism and financialisation of public services: an expression of a neo-liberal agenda which is downsizing the role of the state, and subordinating public policy-making and voluntary sector endeavours to profit-seeking. Much of this debate is ideological and not helpful to those responsible for commissioning public services.

With this report, the GO Lab proposes an alternative way of looking at SIBs that seeks to be more constructive. From the perspective of public servants, SIBs set out to tackle three core issues to improving public services. First, their ambition is often to bring diverse stakeholders together around a common goal, so that as public servants, we can look at SIBs to improve our understanding of how to increase public service collaboration. Second, some SIBs could help provide insights into the adoption of more preventive commissioning. They aim to shift public service activity to a more preventive footing so that provision is moved upstream of social challenges and towards earlier identification of risk. What can we learn about this process and apply elsewhere? Third, SIBs aim to shift the costs of project failure away from the commissioner and the service provider. So, they might help us to identify ways to adopt new approaches, whether or not that involves independent investors.

Looking at existing evaluations, it seems that SIBs might alleviate perennial public service challenges like fragmentation, reactive spending, and difficulty innovating, but we're not seizing the opportunity to learn from where they work well and where they don't.

It is still unclear what the key components of SIBs are, that may enable more collaboration, prevention and innovation. Indeed, SIBs seem a very 'stretchy' concept. It is rare to

observe a 'textbook' SIB in which the commissioner only pays if outcomes are achieved, with all finance provided as risk capital by social investors, with the service provided by (small) voluntary sector organisations and with very strong performance management. In practice, there is a great variation in how these potential key ingredients are combined.

The variation in how these potential ingredients are combined is a great opportunity for learning. It would be a mistake to see these experiments as just another set of pilots in discrete areas of social policy. They may have significance in offering ways to tackle complex social problems. But their broader utility may be to throw light on the mechanisms for creating a relentless outcome focus and culture in public services. These mechanisms may surface the learning that then travels into more mainstream commissioning and delivery of public services. For example, we need to know more about outcomes payments and how they may build the outcomes focus of projects. Is the effect achieved when all, half or perhaps just 10 percent of the payment is held back for the proof of outcomes? We should test all these variants.

There are questions we need to ask of each project, programme and experiment: is it delivering better social outcomes? Under what conditions and for whom? What are the causal mechanisms? Under what conditions are these mechanisms 'activated'? How can we generalise findings from pilots to make decisions on how to design more effective public services?

Our thinking on how to tackle these questions is still embryonic, but we need to engage in a constructive dialogue between researchers and practitioners to learn. We also need to create a stronger learning culture in which we celebrate project performance information being openly shared, regardless of whether it happens to be positive or disappointing.

We need this laboratory approach to strengthen the tools for commissioning and delivering better public services. With this work, we can be a true ally to those designing and delivering public services and ensure that we genuinely address the needs and aspirations of citizens.

Appendix

Outcome metrics used within UK SIBs

Outcomes Category	Outcome	Description
Assessments and Referrals	Referrals	Referrals to the program completed
	Initial Assessment	Number of initial assessments of service users completed
	2nd Assessment	Number of second assessments of service users completed
	3rd Assessment	Number of third assessments of service users completed
Accommodation	Accommodation	Initial prevention or relief of homelessness/ entry into accommodation which is a non-hostel tenancy
	3 Months Accommodation	Sustainment of accommodation for 3 months with no identified risk of homelessness
	6 Months Accommodation	Sustainment of accommodation for 6 months with no identified risk of homelessness
	8 Months Accommodation	Sustainment of accommodation for 8 months with no identified risk of homelessness
	12 Months Accommodation	Sustainment of accommodation for 12 months with no identified risk of homelessness
	18 Months Accommodation	Sustainment of accommodation for 18 months with no identified risk of homelessness
	24 Months Accommodation	Sustainment of accommodation for 24 months with no identified risk of homelessness
	3 Years Accommodation	Sustainment of accommodation for 3 years with no identified risk of homelessness
Attitude, Attendance and Behaviour	Attitude	Improved attitude to school
	Attendance	Increase in school attendance
	Behaviour	Improved behaviour at school
Education	Entry Into Education	Service users take up training and education opportunities
	First Entry Level Qualification	Achievement of an accredited QCF/NQF Entry Level qualification
	Level-1 Qualification	Achievement of QCF/NVQ Level 1 qualification
	Level-2 Qualification	Achievement of QCF/NVQ Level 2 qualification
	Level-3 Qualification	Achievement of QCF/NVQ Level 3 qualification
	Entry into Level 4	Entry into QCF/NVQ Level 4 qualification
	Level-5 Qualification	Achievement of QCF/NQF Level 5 qualification
	Level-6 Qualification	Achievement of QCF/NQF Level 6 qualification
	Level-8 Qualification	Achievement of QCF/NQF Level 8 qualification
	Level-9 Qualification	Achievement of QCF/NQF Level 9 qualification
	ESOL Course	Successful completion of an ESOL (English for Speakers of Other Languages) course

Outcomes Category	Outcome	Description
Employment	Entry into Employment	Entry into employment (includes both full-time or part-time)
	13 Weeks Employment/ Entry into First Employment	Entry into first employment (13 weeks)
	26 Weeks Employment/ Sustained Employment	Entry into sustained employment (26 weeks)
	13 Weeks Employment Part Time	Sustained part time employment for 13 weeks
	26 Weeks Employment Part Time	Sustained part time employment for 26 weeks
	13 Weeks Employment Full Time	Sustained full time employment for 13 weeks
	26 Weeks Employment Full Time	Sustained full time employment for 26 weeks
	Attainment of Basic Skills	Attainment of basic skills by young people over 16 years old
	Job Entry (<16 Hours per Week)	Starting a job involving less than 16 working hours per week
	Job Entry (>16 Hours per Week)	Starting a job involving more than 16 working hours per week
	Job Sustainment (<16 Hours per Week)	Sustaining a job involving less than 16 working hours per week
	Job Sustainment (>16 Hours per Week)	Sustaining a job involving more than 16 working hours per week
	Volunteering	6 Weeks Volunteering
13 Weeks Volunteering		Sustained volunteering for 13 weeks
20 Weeks Volunteering		Sustained volunteering for 20 weeks
26 Weeks Volunteering		Sustained volunteering for 26 weeks
Placement Stability and Wellbeing	Registration on the Programme	Registration of child on the programme
	Successful Placement	Successful adoption placement of child
	Placement Stability after 1 Year	Placement stability of child after 1 year
	Placement Stability after 2 Years	Placement stability of child after 2 years
	Length of Placement	Length of time in long term stable placement
	Child Wellbeing	Improvement in child's wellbeing
	Child Returns to Family/Remains at Home	Number of weeks spent at home by each individual post intervention, with a tariff payment for each day spent at home rather than in care
	Child at Home Following 6 Months	Child remains at home for a further 6 months
	Defined Improvement in Outcomes Star Scores	Family and child achieve defined improvement in Outcomes Star scores
	Child at Home Further 6 Months	Child remains at home for a further 6 months (following the previous 6 month period)
	Completion of Travel Training Course	Completion of training on using public transport independently and safely
	Maintained Independence 1 Term	Successfully travelled independently for 1 term
	Maintained Independence 1 Year	Successfully travelled independently for 1 year
	Reduction in Care Placement	Observed days spent out of care compared to predicted baseline
	Secondary Measures	Wider child and family outcome metrics across 30 month period to reflect wider wellbeing (education, offending and emotional wellbeing)*
	Milestone Payments	Placement of a young person in the Residential Migration programme, and ongoing sustainment of placement
	Graduation Payment	Successful completion of 52 weeks in the Residential Migration programme
Improvement in Wellbeing	Improved scores on the 8 outcomes of the Well Being Star	
Reduction in Secondary Care Cost	Decrease in secondary care costs	

Outcomes Category	Outcome	Description
Improvement in Scores	Attainment in English	Improvement in English reading scores
	Improvement in SDQ	Improved scores on the Strengths and Difficulties Questionnaire (improvement in mental wellbeing)
Mental Health and Substance Abuse	Successful Completion of Selected Intervention	Successful completion of the intervention, expected to be achieved after a pre-determined time duration (usually months or years) following the start of the intervention delivery
	Successful Engagement of Users	Successfully involving service users in intervention
	Entry into Mental Health Services	Service users take up mental health services
	Sustained Engagement with Mental Health Support	Service users continue to engage with mental health services (duration unclear)
	Entry into Alcohol Misuse Treatment	Service users take up alcohol misuse treatment
	Sustained Engagement with Alcohol Misuse Treatment	Service users continue to engage with alcohol misuse treatment services (duration unclear)
Education and Training	Improved Education/Training	Improvement in education or training
Rough Sleeping	Reduction in Numbers Sleeping Rough	Reduced number of individuals rough sleeping each quarter
Reconnection	Reconnection of Foreign Nationals Initial	Confirmed reconnection outside of the UK for non-UK nationals (initial reconnection)
	Reconnection of Foreign Nationals 6 Months	Confirmed reconnection outside of the UK for non-UK nationals (6 month point after initial reconnection)
Health	Reduction in A&E Visits	Reduction in A&E episodes against baseline
	Lifestyle Changes after 6 Months	Reductions in Hb1Ac (1.2mmol); Waist size (2cm); Weight (2kg reduction)
	Lifestyle Changes after 12 Months	Reductions in Hb1Ac (2.4mmol fall from baseline); Waist size (4cm fall from baseline); Weight (3kg fall from baseline)
	Lifestyle Changes after 24 Months	Reductions in Hb1Ac (1.2mmol less than baseline measure); Waist size (1cm smaller than baseline); Weight (1.5kg less than baseline)
Reoffending	Reduction in Re-offending Rate	Reduction in reoffending rate compared to the average of a control group of matched offenders over the 12 months following release from the Peterborough Prison
Loneliness	Reduction in Loneliness Score	Reduction in participants' loneliness score, measured using the Revised UCLA scale of loneliness

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Contribution statement

EC led in devising the evidence review and the main conceptual ideas. CF oversaw the literature synthesis and critical appraisal which was conducted by EC, CF, MA, and WD. RD contributed to the interpretation of the findings and case study notes. MA provided overall management, critical feedback and editing. CE prepared initial drafts and case study notes. TH prepared the appendix with support from EC. JO distilled the key messages for the foreword. EC, CF, RD and MA jointly prepared the manuscript. The wider GO Lab team (NB, AA, GY and FR) and the advisory group provided comments.



About the GO Lab

The Government Outcomes Lab is a centre of academic research and practice based at the Blavatnik School of Government at the University of Oxford. Our mission is to improve the provision of public services through research, policy advice and cross-sector collaboration.

The GO Lab was established in 2016 as a joint partnership between the University of Oxford and the UK government.

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