Commissioning Better Outcomes Fund Evaluation

2nd Update Report

Summary Report Targeted at Service Providers

September 2019

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Introduction

Background

This report provides a summary for service providers[1] of the findings since 2016 from the Commissioning Better Outcomes (CBO) Fund evaluation undertaken by Ecorys UK in partnership with ATQ Consultants (ATQ) on behalf of The National Lottery Community Fund.

This report focuses on the key findings that are of relevance and interest for providers currently involved in, or interested in, social impact bonds (SIBs). It is one of three similar summary reports targeted respectively at commissioners, providers and investors, alongside a more general summary report. Each report aims to identify the main issues for these audiences but a number of issues are of wider relevance and stakeholders may therefore wish to view all three reports. In particular commissioners and providers may wish to look at the sections in the Investor Targeted Report that summarise our findings on the returns that investors are seeking, and the different ways in which investment in SIBs is being structured. Those with greater and more in-depth interest may also wish to refer to the full Update Report and an accompanying Survey Report on the findings from a survey of key stakeholders. All of these reports are available here.

Service providers interested in sharing lessons about SIBs are also welcome to attend the SIB Knowledge Clubs hosted by The National Lottery Community Fund, Ecorys and GO Lab. To find out more visit https://golab.bsg.ox.ac.uk/guidance/sib-knowledge-club/about/ or, if interested in joining, email golab@bsg.ox.ac.uk.

The CBO Fund is funded by The National Lottery Community Fund, with a mission to support the development of more SIBs and other outcome-based commissioning[2] models in England. The Fund launched in 2013 and closed to new applications in 2016, although it will continue to operate until 2023. The CBO Fund is making up to £40m available to pay for a proportion of outcomes[3] payments for SIBs and similar outcomes-based contractual models in complex policy areas. It also funded support to develop robust proposals and applications to the Fund.

The CBO evaluation is focusing on the following three areas:

- Advantages and disadvantages of commissioning a service through a SIB model, the overall added value of using a SIB model and how this varies in different contexts
- Challenges in developing SIBs and how these could be overcome
- The extent to which CBO has met its aim of growing the SIB market in order to enable more people, particularly those most in need, to lead fulfilling lives, in enriching places and as part of successful communities, as well as what more The National Lottery Community Fund and other stakeholders could do to meet this aim.

This report draws on the main findings from the following work undertaken for the evaluation since the last update report in 2016:

[1] A service provider is an organisation which is contracted or funded to deliver the service.
[2] 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.
[3] An outcome is a result or change experienced by a person, family or community, for example improved parenting.

- Stakeholder consultations (4) including telephone and face-to-face consultations with organisations centrally involved in the policy development, strategic development and operational delivery of SIBs in England, and stakeholder engagement meetings and events
- Stakeholder surveys involving e-surveys with commissioners (91 responded) and service providers (77) either involved in or very informed about the SIB agenda; and a qualitative survey with investors (19) , conducted either through face to face or telephone interviews. A full account of the survey findings can be found here.
- In-depth review reports produced for the West London Zone (WLZ) (available here) and HCT Travel Training SIBs (available here)
- The LOUD report (available here), summarising the four factors essential in ensuring whether a SIB is launched
- Tele-consultations with 20 CBO applicants who did not proceed with a SIB
- A review of findings to date from the local evaluations of CBO-funded SIBs
- A review of The National Lottery Community Fund Management Information and internal work
- Review of wider literature

This report includes the following sections:

- Policy context and role of service providers in SIBs
- Summary of CBO Fund to date
- Advantages of SIBs
- Disadvantages of SIBs and challenges to their development
- Other SIB observations
- Changes in the SIB landscape since 2014
- Conclusions, recommendations and areas for further research

Policy context

A SIB is essentially a type of payment by results[4] (PbR) contract. Like other types of PbR, a commissioner[5] (usually one or more public sector bodies) agrees to pay for outcomes delivered by service providers and unless those outcomes are achieved, the commissioner does not pay. Where a SIB differs from a PbR contract, is that the providers in the SIB model do not use their own money to fund their services until they get paid – instead, money is raised from 'social investors'[6] who get a return if the outcomes are achieved.

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 social investors.

The Government Outcomes Lab (GO Lab) defines Impact Bonds[7], 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."

[4] Payment by Results is the practice of paying providers for delivering public services wholly or partly on the basis of results achieved.
[5] A commissioner is an organisation which funds or contracts for delivery of a service.
[6] A social investor is an investor seeking social impact in addition to financial return. Social investors can be individuals, institutional investors, dedicated social investment funds and philanthropic foundations, who invest through their endowment.
[7] See https://golab.bsg.ox.ac.uk/the-basics/impact-bonds/

The issues of definition, and the fact that new SIBs are launching all the time, makes it difficult to estimate how many current contracts qualify as a SIB, but according to the Government Outcomes Lab (GO Lab) as of April 2019, 68 SIBs had been launched in the UK, more than in any other country These SIBs are being used to tackle a range of social issues including homelessness, youth unemployment and children in care[8].

Since our last update report, quantitative evidence has emerged from other SIB evaluations (including local CBO evaluations and evaluations of other non-CBO SIBs) that suggest that the interventions funded achieved positive outcomes. However, due to the design of the programmes and evaluations it is not possible to determine the extent to which the SIB mechanism itself led to better outcomes in these cases, or whether the same outcomes would have been achieved through a standard commissioning approach. The CBO evaluation team will use qualitative research to estimate the extent to which outcome levels can be attributed to the SIB mechanism.

The role of the service provider in SIBs

Providers are involved at the delivery end of the SIB model and provide the direct support to target beneficiaries, usually through a specific intervention. The range of providers actively involved in SIB delivery has broadened considerably since our first update report, and our survey of providers received responses from 77 organisations, of which more than half were seriously considering or were actively involved in SIB delivery. In line with the diversity of SIBs themselves, providers who responded covered a broad range of service areas including young people, education, employment, children's services, health, housing and homelessness, crime and offending, and older people's services.

The relationship between the commissioner and provider of services varies according to the structure of the SIB and the way it is procured, and the range of relationships has broadened since our first update report. Some SIBs are delivered by a single provider working with (usually) one investor, following open procurement by a commissioner. In other cases, the commissioner has first procured a prime provider or delivery body who in turn sub-contracts with several providers and, secures social investment. In many early SIBs the prime provider might be a specialist intermediary management agent, and this remains true in some cases; but other models are emerging. For example, some commissioners are first procuring an investor who in turn procures and contracts with service providers. A potential advantage of the latter models is that they enable smaller, specialist service providers to get involved, as discussed later in this report.

A further development has been the emergence of service providers who have implemented a SIB with one commissioner and subsequently replicated parts of the original SIB model and contract with other commissioners. Such developments have sometimes been led by providers themselves - such as the model led by HCT for their travel training SIB, which has so far led to contracts with three commissioners. Others have been led by specialist intermediaries, such as the Mental Health and Employment Partnership (MHEP)[9] which is led by Social Finance and selects appropriate providers for each contract, of which there have been three to date. Both of these SIB models are being reviewed in depth as part of this evaluation.

[8] Social Finance, 2016, Social Impact Bonds, The Early Years.
[9] The indepth review of the MHEP SIB is available here: https://www.tnlcommunityfund.org.uk/media/research-documents/social-investment/comissioning_better_outcomes_in_depth_review_190320_122442.pdf?mtime=20190320122441

Summary of CBO Fund to date

The CBO Fund is funded by The National Lottery Community Fund, with a mission to support the development of more SIBs and other outcomes-based commissioning[10] models in England. As shown in Table 1 below, as at February 2019 the number of full awards made by CBO to establish a SIB stood at 22 This was against a target set by The National Lottery Community Fund England Committee to support the commissioning of 20 outcomes-based projects.

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Table 1: CBO Fund: Summary of progress to 7 February 2019

Task	December 2015 (cumulative total)	December 2016 (cumulative total)	December 2017 (cumulative total)	December 2018 (cumulative total)
CBO EoI agreed	78	83*	87**	87
Development Grants (DG) agreed	51	62	62	62
Full awards agreed by CBO	4	22	28	22
SIBs launched with CBO support	2	5	11***	19****
Commissioners in SIBs in delivery	2	10	20	45
Providers active in delivery	5	11	42	51
Total number of investors *****	1	4	4	8

**7 with no direct DG support ** 11 with no direct DG support. ***1 SIB was only soft launched, delivering from 10.18 ****1 SIB was soft launched delivering from 1.19 *****These are the retail investors in CBO SIBs and do not include wholesale investors/funders such as Big Society Capital*
Source: The National Lottery Community Fund.
typo

As at December 2018 four of the 22 full awards were provider-led and seven were led by intermediary management agents, with the remaining 11 being commissioner-led. Across the projects, 50 local commissioners and three national commissioners are engaged, including 31 LAs, 18 CCGs and one police authority.

[10] 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 outcomes-based contract can vary, and many schemes include a proportion of upfront payment that is not contingent on the achievement of a specified outcome.

Benefits and advantages of SIBs from a provider perspective

Our surveys have found that overall, providers who responded were the most positive about their experience of developing or working in a SIB, compared to commissioners and investors; Around four fifths of service providers, just over three fifths of investors and two fifths of commissioners reported a good or very good experience of SIBs. All service providers reported at least a fair experience, whereas a small proportion of investors and commissioners reported a poor or very poor experience. In terms of the main advantages, those who had set up and are implementing a SIB reported that they were resource intensive but were worth the effort because of the benefits they bring.

A key finding from the survey and related research is that service providers, commissioners and investors all strongly perceive the outcome-focused culture that SIBs encourage as a major benefit of working in a SIB. Service providers also reported a further benefit, in being able to use the data collected through the SIB to evidence the effectiveness of their intervention. However, these findings are offset by a more negative finding, that the manner in which current SIBs are structured and how they manage performance may have an adverse effect on staff morale and turnover, with increased pressure to meet outcome targets.

The table overleaf summarises the main advantages linked to SIBs for service providers as reported by service providers, commissioners and investors either considering, developing or involved in SIBs.

Advantage	Reason for Advantage
Helps to embed a more outcomes-focused culture in service providers	Investors, service providers and commissioners consistently reported that SIBs embed an outcomes-focused culture in service providers. In the service provider survey this was the most-cited benefit of SIBs, with 12 out of 21 reporting it as a benefit. Stakeholders reported that the outcomes-focused culture has developed from the focus on evidencing outcomes that is a feature of PbR contracts. One investor described the process as "eye-opening" for service providers, who had to adapt delivery management in order to drive it towards outcomes effectively. This also has benefits for participants receiving the service or intervention, as the provider has a better sense of whether their support is working (and can adapt if not). It is however noteworthy that the service provider survey suggests that the outcomes-focused culture can also have adverse effects – see section on disadvantages of SIBs below.
Improved ability to evidence	For service providers, working in a SIB contract ensures that the organisation designs its service processes to measure and record outcomes. These are both the contractual outcomes that are linked to payments as specified by the commissioners and others such as measures of progress which show how beneficiaries have been supported and helped during the course of the intervention. An improved ability to evidence outcomes for beneficiaries and effectiveness of services is a key way to support future service designs and creating new business opportunities.
Provision of up-front funding from external investors removes some financial risk for service providers	In a SIB, service providers do not usually have to bear the financial risk of a PbR contract themselves– which would require them to incur a deficit unless and until outcome payments started to flow. Conventional PbR would require the provider to cover this initial deficit from reserves or raise working capital to cover their costs through a loan. For providers unwilling or unable to bear such risks, investors in a SIB can cover the costs and themselves be the party that is financially at risk if outcomes are not achieved. However it is worth adding that not all SIBs are structured to relieve providers of all financial risk, and some deals are deliberately constructed to enable or encourage providers to bear or share risk. There are also SIB structures that impose a degree of risk on providers by linking their up-front payment to specific outputs – such as the achievement of a target number of referrals. In both these circumstances providers are directly bearing financial risk and need to consider carefully whether they are willing and able to do so. and be sure they understand the consequences if they fail to meet their contractual obligations.
More flexible service delivery	Another key benefit of SIBs reported by stakeholders comes from the flexibility that service providers have to more easily adapt provision part-way through the delivery period due to the outcomes-based nature of the contract. In fee for service type projects the contracts are normally tightly defined and prescribed in relation to the activity that needs to be delivered in terms of scope, type and intensity. For a SIB, the contracts focus more on the outcomes rather than the activity leading to room for flexibility to respond to certain situations. This again has potential benefits for recipients, as the service can be more responsive and tailored to their needs. It is worth highlighting, however, that flexibility has not always been stated as a benefit and strength across all of the SIBs we have looked at. It can depend on the model adopted and the level of flexibility the commissioner and investor decide to build into the delivery process and selection of payment triggers.

Disadvantages of SIBs and challenges to their development from a service provider perspective

The commissioners, service providers and investors either considering, developing or involved in SIBs. report that the main challenges to SIBs from a provider perspective continue to include:

- performance management reporting and data requirements;
- outcomes-focused culture can demoralise staff;
- understanding of investors and agreeing contracts that are satisfactory to all parties; and
- over-ambitious modelling at the outset

For service providers, two specific areas, performance management and outcomes culture, have flipsides to the advantages noted above. There are thus trade-offs between potential benefits and disadvantages on which all stakeholders have to make a judgement when considering using a SIB option.

What has changed since our last update report is that there is now more evidence, from a range of sources, as to what are the most important factors in successful SIB development, and conversely that it is challenging to develop a SIB when these factors are not present. We set out these factors in the LOUD report, which identified that SIBs are unlikely to be launched if a commissioner (or provider) attempts to develop a SIB without a clear focus on four key factors. These are:

- **Collective Leadership:** senior leaders must communicate clearly and effectively with staff involved in SIB development and ensure that all staff are engaged and committed to the process.
- **Clear Outcomes:** Ultimately, the commissioner needs to be satisfied that the outcomes are worth paying for, and the providers (and investors) need to believe that the outcomes are achievable.
- **Shared Understanding** of the policy 'problem' among commissioners and, to a lesser degree, providers, intermediaries and investors, and how it can credibly be addressed, is crucial.
- The availability of the right **Data**, especially on the target cohort, the outcomes they are currently achieving and the current cost of supporting them; and the outcomes likely to be achieved by the 'SIbed' intervention, including when these would take place and for how long they are likely to be sustained.

The table below summarises the main disadvantages of, and challenges linked to, SIBs for service providers, as reported by service providers, commissioners and investors either considering, developing or involved in SIBs.

Challenge	Reason for Disadvantage/Challenge
Additional demands in relation to performance management reporting and data requirements	The extra demands and scrutiny from investors to ensure success, was highlighted by both commissioners and providers as an extra pressure. In many ways, this is the other side of the coin of one of the key benefits of a SIB being the improved focus on outcomes achievement. Our research shows that there is a tendency amongst investors always to have follow-on questions based on the data provided and it is this aspect that causes issues in resource-constrained service providers.
Outcomes-focused culture can demoralise staff	Service providers reported that the second main negative impact of SIBs was that the increased pressure to achieve outcomes can sometimes affect staff morale and lead to higher levels of staff turnover. However, the fact that service providers reported an outcomes-focussed culture as the main benefit of SIBs despite this adverse effect would suggest that they perceived the benefits of an outcomes-focused culture to outweigh the disadvantages.
Limited understanding of investors and difficulties agreeing contracts that are satisfactory to all parties	The findings from the commissioner and service provider surveys suggest similar issues in understanding how to engage the social investor in the SIB development process and in understanding the technical details of the investor's financial terms. In particular, service providers and commissioners reported difficulties understanding how to split the level of risk between the stakeholder groups. This is a complex element of the SIB contract because even where the investor is bearing all of the financial risk in providing the initial working capital, service providers are still at least bearing the operational risk in delivery.Thus if they fail to deliver what is agreed they are at risk of having their contract to deliver services terminated and/or being replaced by another provider – just as they would be in a fee for service contract. Moreover, some service providers may also agree to take on some of the financial risk directly themselves by agreeing to repay part of the capital invested if outcomes from the service are not met. This is a feature of the WLZ SIB. It is also becoming a feature of SIB contracts that they include a minimum number of referrals to a service, otherwise the commissioner may need to make payments to the investor regardless of the referral flow. This can have implications for provders if investors seek to pass on the risk of achieving minimum referral numbers to them by imposing defined referral numbers in contracts.
Assumptions in original business cases not being correct, making it challenging for SIBs to achieve their forecasted outcomes	Respondents to the service provider survey reported that one of the bigger negative effects of SIBs is over-ambitious modelling at the outset, making it very difficult to achieve the stated and contracted outcomes. Assumptions about the number and ease of making referrals need to be robustly tested when developing the business case. This can be challenging given often limited commissioner capacity which inhibits their ability to fully engage with the business case and test the assumptions. Investors whom we surveyed stressed the important ramifications of the assumptions made, and the risk to a SIB's sustainability if, for example, referrals are at a lower level than forecast in the business case, or those referred have different characteristics (such as more challenging needs) to what was expected.

Other SIB observations

As well as the main advantages and disadvantages currently associated with SIBs, our research has revealed some other interesting findings:

Some SIB development is driven by providers. A substantial minority of SIBs continue to be driven and led by service providers, or by specialist intermediaries. Our in-depth research and the commissioner survey tend to indicate that this is in part because some VCSEs are naturally entrepreneurial, and in part because some commissioners lack the capacity and resources to pursue SIB development themselves. It could therefore be argued that providers are simply taking the initiative because they are willing and able to do so while some commissioners are not. The role played by the Ways to Wellness team in driving the adoption of social prescription by Newcastle CCG is a good example of this

A provider-driven approach continues to have both strengths and weaknesses. On the plus side a provider-led SIB can change the dynamics of the relationship between commissioners and service providers and energise commissioners to get involved in innovative contracting and financing arrangements that they might otherwise not consider. There have also been cases where the provider has initially led SIB development and the commissioner has subsequently taken over the lead role – for example the diabetes prevention SIB in Devon. In addition, a provider-led approach can also facilitate replication, if later commissioners can take advantage of development work already done previously with 'early adopters'. Finally, providers can act as co-investors in SIBs – as in the Reconnections SIB for example.

However, it remains a significant risk that substantial amounts of time and funding can be spent by service providers, intermediaries and grant funders on developing SIBs that commissioners are ultimately unwilling to commission, despite the efforts now being made by funders to ensure earlier and better engagement of commissioners in the development process. This includes SIBs that providers and intermediaries are aiming to replicate, since not all successor commissioners that are engaged will ultimately enter into a contract.

In addition, the prominence of providers in developing SIBs continues to lead to challenges at procurement stage. Much of this arises because of the tension between providers who have invested, often significantly, in SIB development and commissioners who are aiming to ensure proper competition and value for money. Some providers who have invested time and money in developing a contract have a wish to see a contract awarded to them without open competition, and the relatively new 'light touch' procurement regime offers entirely legal and proper routes to achieving this in the right circumstances[11]. For example both HCT commissioners showed how the light touch regime can be used successfully.

[11] See: GO Lab, 2019. *Awarding the Public Contract in a Social Impact Bond*: https://golab.bsg.ox.ac.uk/guidance/technical-guides/awarding-public-contract-social-impact-bond/

We have however found LA and other commissioners to be cautious about using such procedures (notably the single stage Prior Information Notice[12] and the Voluntary Ex Ante Transparency (VEAT) Notice[13]) when they believe that there is a prospect of genuine competition, and potentially achieving better value from other providers and/or investors. Tensions can arise if providers who have led SIB development are subjected to competitive processes after a significant amount of co-design work has been done; if commissioners are put under pressure to use a light touch process when they are not convinced it would be best to do so; or commissioners use a light touch procedure such as a VEAT Notice and are subsequently challenged by another potential bidder.

Mixed evidence regarding the involvement of smaller VCSEs in SIBs. A further observation is that our research has not completely validated the theory that SIBs enable the involvement of smaller providers because the up-front funding shields such providers from the financial risk involved in conventional PbR. We continue to find mixed evidence for this. In our stakeholder surveys, few stakeholders reported that SIBs were enabling service providers to bid for contracts they would not otherwise have been able to pursue, due to financial restraints. Of the 13 SIB benefits reported by service providers, this ranked third from bottom, with only four out of 21 service providers selecting this as a benefit. In the commissioner survey this benefit was reported the least, with only two out of 41 commissioners reporting it.

Some of the SIBs we have reviewed have enabled smaller providers to become involved, especially as sub-contractors to larger 'prime' providers and intermediaries. Against that, there has been a trend towards investors working repeatedly with trusted organisations with strong and credible management teams; and towards simpler, direct SIB models that will tend to be with a single, established provider. Both these trends are likely to work against smaller providers. The HCT SIB combines both these factors, since HCT is both a large and well-established social enterprise in the transport sector, and already had an established relationship with its lead investor, Bridges Fund Management.

[12] A Prior Information Notice (PIN) is a method for providing the market place with early notification of intent to award a contract/framework and can lead to early supplier discussions which may help inform the development of the commissioners' specification.
[13] A VEAT provides retrospective notice through the OJEU (Official Journal of the European Union), which publishes information on public sector contracts) process of a decision to award a contract to a provider without competition. A VEAT is the reverse of a PIN (see above) in that it does not provide for a competition.

How the landscape has changed since 2014

The general view amongst stakeholders is that since 2014 (the baseline for this evaluation), the SIB landscape has generally moved towards a position where SIBs are becoming more widely established, after a period when there were first unreasonably high expectations of what they could achieve and then premature disillusionment about their effectiveness.

Since 2014 the number of SIBs has quadrupled, from 16 in 2014 to around 40 at the end of 2017, and nearly 70 in April 2019. Some of these newer SIBs are in the same policy areas as the very first SIBs, such as youth employment, homelessness and support for children in or on the edge of care. However, SIBs have also expanded into new policy areas, particularly in the health sector.

The market has in general matured, with more sources of advice and support available and external support being used more sparingly and in a more targeted way. Commissioners and providers continue to use and value external paid support, but are also using other sources of advice and guidance (such as GO Lab and the CBO/LCF team) and are thus using paid advisors to provide more specialised and focused advice.
Many of the benefits and challenges surrounding SIBs have however stayed broadly the same. There is arguably more evidence for some benefits of SIBs (such as bringing upfront funding from external investors and embedding an outcomes-focused culture). What is perhaps interesting is that many of the challenges identified in 2014 still exist: SIBs still take a long time to develop and require large set up costs; and there are still challenges in agreeing contracts to suit all parties. The benefits and challenges for providers are broadly similar, and often involve a trade-off between the benefits of an improved focus on outcomes and impact and the challenge of imposing additional pressure on management and staff to comply with a strong performance management culture.

For providers, the major shift since 2014 has been in the growth of SIBs that are not only led by providers – which have always been a feature of the landscape – but actively promoted by providers and intermediaries on the basis that an existing SIB model can be offered to further commissioners in a way that replicates existing infrastructure and thus reduces the costs and time needed to implement them – a feature of some of the CBO-funded SIBs that we have reviewed, notably HCT travel training and MHEP.

Conclusions, recommendations and areas for further research

Conclusions

Stakeholders involved in the CBO-funded SIBs that we have consulted are broadly satisfied with how the SIBs are developing: Commissioners because SIBs are funding services that would otherwise have been too risky to fund directly or could not have been afforded in the current climate; service providers because SIBs allow them to deliver services that would not have been commissioned otherwise; and investors because of the social and financial returns they are receiving, and the way SIBs embed an outcomes-focused culture in providers. However, the positive view on SIBs came more from investors and providers than from commissioners.

Moreover, the SIB landscape is not yet at the point where mainstream adoption starts to take off. Awareness has increased but they are still niche, only a small number of people have a detailed understanding of them, and they rely on subsidies (top up funding, development grants and free support) to get off the ground. The evidence base underpinning them has strengthened but is still relatively limited.

For providers, their experience of SIBs has been the most positive of the three stakeholder groups we surveyed (service providers, commissioners and investors), which may explain why some providers have shown entrepreneurship and leadership in SIB development. Providers also report benefits to them from this way of working when SIBs sharpen their focus on outcome achievement and ultimately social impact, although there are sometimes trade-offs in terms of the pressure that the SIB/PbR culture creates for staff.

Recommendations

In the light of our findings we have the following recommendations that are addressed directly to providers:

- **Familiarise yourself with when it is, and is not, appropriate to expect commissioners to use the light-touch procurement regime**: See above describing the tensions regarding the light-touch procurement regime and its advocacy by some providers.

In addition, the following recommendations are relevant to providers (though not addressed solely to them):

- **Provide independent guidance on how commissioners and service providers could engage with investors** depending on the role sought from the capital, and when, how and why some investors seek to split the risk in SIBs between stakeholders, rather than carry it all themselves
- **Provide clear and easy to understand information on the different ways investors can apply capital to SIBs**, and the positioning and preferred approaches of specific leading investors
- **Stakeholders should publish real-time data on the structure, business case, performance and outcomes of SIBs**, and their rationale for pursuing a SIB compared to other options, in order to facilitate replication and increase stakeholders' awareness of the effectiveness of SIBs
- **Focus on ensuring the four LOUD factors are in place when developing a SIB:** Our research has found there are four critical success factors that determine whether a SIB is launched (collective leadership; clear outcomes; shared understanding; and good quality data to underpin the business case, referrals profiling, outcomes modelling and performance management). Stakeholders developing a SIB should focus on ensuring these factors are in place.
- **Stakeholders developing SIBs need to recognise and make clear that the SIB will require a cultural transformation** and way of working that is focussed on all parties' involvement in systems change. SIBs are seen primarily as a new way of buying an intervention; it is not always recognised that they can require stakeholders to work in quite different ways. It is important to make expectations around cultural transformation overt, and to engage all necessary parts of all organisations as early as possible.

Areas for further research

Listed below are areas that we believe require further research from the evaluation and academic community in order for them to be fully understood, whether or not they will be explored through later waves of the CBO evaluation:

- Impact of the SIB mechanism on the level of outcomes achieved.
  - *This evaluation will measure qualitative perceptions on the extent to which the SIB contributed to the levels of outcomes achieved. Due to the design of the programme it will not be possible to measure this quantitatively, as there are no comparison sites through which to measure the counterfactual robustly.*
- In the SIBs that are not self-funded by the cashable savings they generate, why it is that a commissioner can pay for the outcomes in the future, but not at the present time?
  - *This will be explored over the remainder of the evaluation, particularly by understanding how commissioners fund outcome payments*
- What are service providers' overall views on the impact of the outcomes-focused culture brought about by SIBs? How is it that service providers report this to be a benefit overall, yet also report that it reduces staff morale?
  - *To be explored in remainder of evaluation through further qualitative analysis of impact on providers*
- The cost of setting up SIBs in programmes since CBO, and whether costs are falling
  - *This is beyond the scope of the evaluation*
- Further information on commissioners' views on whether the benefits of the increased contract management linked to SIBs outweighs the costs
  - *To be explored in remainder of evaluation through capturing commissioners' views over time*
- How the balance of risk between parties is captured in contracts, and commissioners' understanding of the process
  - *To be explored in remainder of evaluation*
- The level of robustness of the SIB business cases, and what happens to the SIB when the assumptions in the business case prove to be incorrect
  - *To be explored in remainder of evaluation by comparison of actuals to business case forecast, and exploration and analysis of all parties responses to variation*
- How the different SIB models (particularly the 'intermediated' and 'direct' models) affect the delivery and performance of the interventions
  - *To be explored in remainder of evaluation, particularly by comparing the performance of different models*
- Whether the 'win-win-win' for commissioners, service providers and investors holds true when the SIB is not succeeding against its outcome targets
  - *To be explored in remainder of evaluation*
- How both the CBO-funded SIBs and other SIBs develop outside of a SIB-stimulation programme
  - *This is beyond the scope of the evaluation*
- Why commissioners' experiences of SIBs are more mixed compared to the experiences of investors and service providers
  - *To be explored in remainder of evaluation*