



“Be the change” Social Impact Bond

1. Summary

The *Be the Change* Social Impact Bond (SIB) is delivered by the Mayday Trust (Mayday) – a charity that provides personalised and strength based support to young people experiencing homelessness and those going through tough life transitions.

It was originally conceived as a Fair Chance Fund (FCF) SIB¹ and Mayday started development work in 2014 when it made some of its services outcomes-based. At that stage three County Councils (CCs) were involved as commissioners – Northamptonshire, Oxfordshire and Warwickshire. Though the FCF application was unsuccessful (because other applicants were bidding to achieve greater impact) Mayday managed to retain Northamptonshire as commissioner for its application to the Commissioning Better Outcomes (CBO) Fund. Northamptonshire CC underwent a significant restructuring during the SIB’s development and *Be the Change* was commissioned by First for Wellbeing CIC, established by the Council in April 2016².

The SIB uses the same outcome measures and metrics as the FCF; is delivered by Mayday; and is based on Mayday’s Personal Transitions Services (PTS). The PTS a highly flexible ‘assets-based’ approach that focuses on identifying people’s strengths and then providing the personalised support they need to achieve their aspirations. Unlike many high support homelessness programmes, this primarily uses general housing in the social or private rental sectors rather than hostels or supported accommodation. Mayday firmly believes that this helps the young people to live more independently, build new support networks and break the cycle of dependency, thereby avoiding the institutionalisation of service users.

Although Mayday had developed a good working relationship with Bridges Fund Management (BFM) during the FCF development and application process it ran a further competition to select an investor in its *Be the Change* SIB. BFM was successful and is thus the investor in this SIB. The SIB went live in June 2017.

¹ The Fair Chance Fund was established in 2014 to pay for sustained housing, employment and educational support for homeless 18 to 24 year olds with investors putting in money now on a long-term payment by results basis. More detail is provided in section 2.2 below.

² First for Wellbeing CIC was a partnership between Northamptonshire County Council, Northamptonshire Healthcare NHS Foundation Trust and the University of Northampton. In April 2018 First for Wellbeing CIC was taken back in-house by Northamptonshire CC as part of a wider re-organisation initiated in response to the County Council’s financial difficulties.



1.1 How the SIB works

Be the Change has a single commissioner (First for Wellbeing), a single provider (Mayday) and a single investor (BFM). It has a “conventional” SIB financial structure in that BFM is taking the financial risk by paying Mayday a fee for service and relying on payment for the outcomes achieved from First for Wellbeing to recover its investment.

The SIB will work with around 360 young people aged 18-30 over three years and will aim to achieve positive outcomes for 105 of them. The measures for which payment are made comprise a mixture of output, progress measures and true outcomes and include: engagement in the programme (see section 2.1 for more detail about the importance of voluntary engagement with the PTS); securing and sustaining accommodation; engagement in education or training; and securing and sustaining employment.

1.2 What are the successes?

- **Ability to provide personalised services that respond to individual need:** The SIB allows Mayday to work with individuals free from the constraints imposed by the detailed service specifications that feature in the contracts more routinely let by commissioners. Use of a SIB approach allows Mayday to deliver its asset-based PTS service and continue to gather evidence for its effectiveness with a view to further roll-out.
- **Better scrutiny of service delivery.** Measuring the impact of the *Be the Change* SIB is an integral part of the service, not an add on. This is a particularly important feature of the SIB for the commissioner as First for Wellbeing is keen to learn from *Be the Change* and test its applicability in other areas.
- **The use of an existing SIB framework** in this case that used in the FCF - meant that many of the challenges faced in developing other SIBs did not materialise here. The availability of pre-defined outcomes, metrics and payment tariff meant that very little development work was needed for the SIB (on top of that done for the FCF application). Effectively, Mayday was able to offer an “off the shelf” solution that had central government “endorsement”. In addition, Mayday had already run a service in Northamptonshire in 2014/15 using FCF criteria and metrics and this successful track record provided the confidence that Mayday would deliver the outcomes promised.
- **Potential to replicate and scale.** Mayday and BFM have developed a comprehensive “package” (comprising an evidence-based intervention, an experienced provider and social investment) that they hope to sell to other local commissioners keen to address the issues of homelessness in their areas.
- **Transfer of risk** to the investor thorough the “conventional” SIB structure shields Mayday from financial risk and allows it to focus on the delivery of its PTS. It utilises a Special Purpose Vehicle (SPV) to enable this and does so in a cost effective and efficient manner. In this case, the SPV did not incur the usual ongoing performance management costs because Mayday had “practiced” using payment by results (PbR) and already had in place the data collection processes needed to evidence performance.



1.3 What are the challenges?

- **Commissioner engagement and ongoing involvement.** Commissioner commitment was hard to sustain especially during and after the major re-structuring of Northamptonshire CC in 2015/16 and the creation of First for Wellbeing. Maintaining momentum and interest in the SIB took a lot of effort from Mayday in the 12 months until the new organisation felt able to take the SIB forward. This experience mirrors that in other SIBs in terms of the challenges of initiating and maintaining commissioner buy-in in the face of changing local circumstances.
- **The size of the contract.** First for Wellbeing was already commissioning services from Mayday and wanted to continue to do so. To do this meant a) keeping the contract value below the EU threshold requiring competition and b) satisfying internal procurement rules. The result is a small contract, for services commissioned on an outcomes basis. While keeping the SIB small made procurement relatively straightforward (and low cost) for First for Wellbeing, its small scale made it challenging for BFM to get it through its Investment Panel.
- **Use of the Centre for SIBs template contract.** First for Wellbeing anticipated that the template contract provided would be capable of being used without amendment. Instead there was a lot of interaction between it, BFM and the Centre for SIBs, that First for Wellbeing did not expect, to ensure that the contract reflected the specific operational obligations and requirements of the service for which it was contracting. This reflects the fact (as we have found in other reviews) that the template contract helps parties to a SIB ensure that the contract reflects the particular requirements of an outcomes-based approach, but it is not and cannot be a complete 'off-the-shelf'-solution, and still needs tailoring to service requirements.
- **Sourcing general housing** in the social or private rental sectors rather than hostels or supported accommodation. Such accommodation is scarce and difficult to obtain, and its availability is key to the success of the project. However this is a challenge of the specific intervention and approach adopted by Mayday, and would have been equally challenging if the project had been conventionally funded and structured, rather than being a SIB and outcomes-based.

1.4 What are the lessons learned?

- **Leadership is key.** Mayday had to expend a lot of effort to keep the momentum behind the SIB going and to obtain and maintain commitment in the face of changing circumstances. Even without root and branch re-organisation among the commissioning body, as happened in this case, commissioning post holders move regularly and providers have to be prepared to "sell" the SIB repeatedly to a range of audiences.
- **The use of existing outcomes** lent credibility to the proposition, particularly with a new set of stakeholders. It also speeded up development – notwithstanding the difficulties in maintaining commissioner commitment in the light of an organisational re-structure.
- **The ability to build on previous experience.** Mayday's experience of running the pilot in Northamptonshire was also useful for informing the development of the financial model for the *Be the Change* SIB. Specifically analysis of performance data informed the decision



to remove volunteering (one of the FCF payment metrics) from the payment metrics for the SIB because it proved unrealistic to achieve. In addition, as a result of further research undertaken during that period, Mayday extended the age range of the cohort from 25 to 30.

- **Having a shared understanding of the “problem” is important.** All parties involved in the SIB (Mayday, First for Wellbeing and Bridges) had a common understanding of the policy “problem” to be addressed (in this case homelessness among young people). In addition they were all agreed that the SIB represented an innovative solution for First for Wellbeing who had not commissioned for outcomes before, with potential for scale and replication that was worth pursuing, despite the challenges that arose during its development.
- **Availability of local data,** specifically from the pilots Mayday had run (using the FCF rate card and collecting outcomes data), strengthened the case for the SIB and bolstered the credibility of the proposition for both the commissioner and the investor because Mayday was able to provide evidence that it was capable of delivering the outcomes sought. Building a business case, and persuading stakeholders to take a risk, is harder if there is only national or international data on which to rely.
- **Availability of the CBO contribution to outcomes payments.** First for Wellbeing was a brand new organisation when it made the decision to commission the SIB. The proposition would have been harder to sell if the 24% CBO contribution had not been on the table.

2. What is the SIB model?

2.1 The intervention

Be the Change is a new intervention designed to help homeless and unemployed young people who are going through particularly difficult times in their lives. It is based on Mayday’s PTS, a highly flexible ‘assets-based’ approach that focuses on identifying people’s strengths and then providing the personalised support they need to achieve their aspirations. Unlike many homelessness programmes, it primarily uses general housing in the social or private rental housing sectors rather than hostels or supported accommodation, in the belief that this helps the young people supported to live more independently, build new support networks and break the cycle of dependency.

In 2011 Mayday undertook a qualitative review of over 100 people with the objective of finding out what people thought of the services designed to support their move out of homelessness and towards independence³. This identified that the ‘traditional’ focus on needs kept people in their area of weakness and left them unable to create sustained, positive change for themselves. Arguably, therefore, it thus fostered the institutionalisation of people accessing homelessness services.

Armed with this insight, Mayday set about identifying a new method that would flip the way services are traditionally delivered and put control into the hands of those using the services.

³ Published as “Wisdom from the Street” (<https://maydaytrust.org.uk/download-publications/#toggle-id-9>)



As a result, in 2012 it developed PTS - an asset-based model built on a solid evidence base from the US.

PTS is based on a significant body of research undertaken by the Search Institute⁴ into the positive support and strengths that young people need to thrive. The Developmental Assets framework was the result and it was first introduced in 1990. Since then evaluations of Developmental Assets have been conducted with about six million young people across the United States and around the world, and the link between developing individual assets and the reduction in negative behaviours has been evidenced. Mayday has taken the learning from the Search Institute and used it to develop an approach for delivery adapted to the UK context.

Be the Change works with young people aged 18 to 30 who:

- are not in education, training or employment;
- are homeless as defined in the homelessness legislation but not in priority need under that legislation;
- have previous difficulties in, or eviction from, supported accommodation; and
- have needs deemed too high/complex to manage within a supported housing scheme because of issues such as substance misuse, significant mental health issues, low/medium learning disability or personality disorders below the threshold for Adult Social Care services.

Each young person referred to the programme is assigned an Asset Coach who works with them through a number of linked core interventions:

- **Coaching**- a young person makes a decision to work with an Asset Coach. The coach builds a relationship with the individual and uses evidence-based tools to support the young person to articulate their aspirations, build a strong personal identity and work to their strengths to take control of their life and future aspirations.
- **Brokering** - the coach brokers bespoke existing opportunities, activities or support for each individual to allow them to either build their sense of who they are or gain evidence that they can achieve and can contribute to their community.
- **Building positive networks** - volunteers assist young people to find and build positive networks, friendships, and people who value them and affirm them as individuals with a sense of purpose. These networks are built in the wider community, rather than the homeless sector, so that young people experiencing homelessness can reintegrate, feel a sense of purpose and contribute to their local community.

Mayday uses an online tool to measure personal asset developments and link them to hard outcomes. This provides the robust evidence that outcomes and impact are being achieved.

Mayday ran a two-year proof of concept pilot of its model in Oxford in 2013/2014. Evaluation of this identified a number of aspects that were key to the success of the programme and these have been taken forward in the ongoing development of PTS. They include:

⁴ <http://www.search-institute.org>



- the importance of voluntary engagement. The evaluation identified that when coaching became a mandatory part of the accommodation service, the active engagement dropped significantly – turning accepted wisdom (if support is mandatory, people will *have* to and therefore *will* engage) on its head. When individuals have control over their engagement with their coaches they are more likely to trust them and participate meaningfully. When it is made mandatory, coaching is seen as a ‘box to tick’ to move out of homelessness and people engage less enthusiastically or not at all; and
- the persistent and positive approach of the coaches was key to getting young people to engage. In particular, positive conversations about what people are interested in were important in getting young people to re-engage.

There is a balance to strike between voluntary engagement and outreach to keep people engaged. The Mayday approach lets people have a say if and when they want to engage, but coaches persistently reach out to let people know that they should get in touch when they are ready. This has proved effective and successful engagement and participation in the programme (evidenced by signing of a jointly developed Asset Plan) is one of the payment metrics for the SIB (see section 2.4 below).

2.2 The SIB business case

In 2014 then Department of Communities and Local Government (DCLG) (now Ministry of Housing, Communities and Local Government (MHCLG)) and the Cabinet Office launched the Fair Chance Fund (FCF). The FCF was a payment by results (PbR) scheme that aimed to improve accommodation and work outcomes for a group of young, homeless people whose support needs are, and continue to be, poorly met by existing service because of the complexity of their circumstances. It was designed to “stimulate innovate approaches which can be built on and replicated in the future and address problems that would otherwise lead to long term benefit dependency, health problems and increased crime”⁵.

The decision to use a PbR approach was taken because the complexity of the problems faced by the group. This, along with the lack of quality data meant that it was very difficult to specify how services should be run in advance. DCLG therefore decided to pay for the outcomes achieved (up to a maximum tariff for each young person) and allow voluntary sector providers to innovate and achieve the best results possible. The up-front service costs were wholly or partially funded by social investors, and therefore FCF contracts are a form of social impact bond.

The *Be the Change* SIB was originally conceived as a FCF SIB and has adopted the majority of the FCF’s key characteristics. It aims to demonstrate the effectiveness of its approach to tackling the complex issues faced by homeless young people and effect a system change in the way services for this group are commissioned and paid for.

The FCF recognised that a significant proportion of the benefits arising from achieving positive outcomes for homeless young people accrue to central government. The *Be the Change* SIB is one of the first SIBs for people experiencing homelessness in England where the local

⁵ Fair Chance Fund Full bid specification documentation, DCLG and Cabinet Office, June 2014, p 4



commissioners pay the majority of the outcomes payments. *Be the Change* will work with around 360 young people over three years and will aim to achieve positive outcomes for all of them.

2.3 The contracting model and SIB structure

2.3.1 Contracting model

The contracting model for the *Be the Change* SIB is relatively straightforward. There is a:

- single commissioner - First for Wellbeing CIC⁶;
- single provider – Mayday; and
- single investor - BFM, who will provide finance through its Social Impact Bond Fund.

BFM has established a Special Purpose Vehicle (SPV) that holds the contract with First for Wellbeing. Mayday is contracted to deliver the *Be the Change* service by the SPV.

⁶ First for Wellbeing CIC was a partnership between Northamptonshire County Council, Northamptonshire Healthcare NHS Foundation Trust and the University of Northampton. In April 2018 First for Wellbeing CIC was taken back in-house by Northamptonshire CC as part of a wider re-organisation initiated in response to the County Council's financial difficulties.



2.3.2 Operational structure and financial flows

The operational structure for the SIB is summarised in Figure 2.1 below.

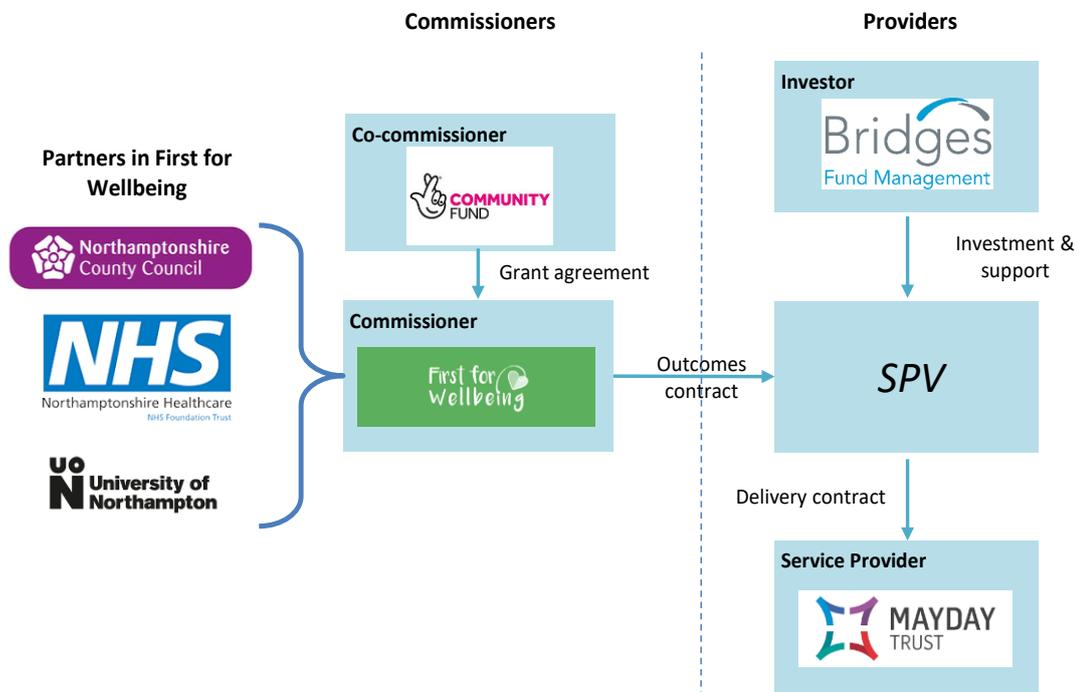


Figure 2.1 – *Be the Change* operational structure

The flow of funding and payments is as follows:

- BFM provides financing from its Social Impact Bond Fund to the SPV which then makes the fee for service payments that allow Mayday to deliver *Be the Change*;
- outcomes payments from First for Wellbeing are claimed via the SPV;
- First for Wellbeing pays the SPV for the outcomes achieved;
- the SPV requests co-payments from the CBO Fund on the basis of the outcomes achieved;
- The National Lottery Community Fund makes co-payments to the commissioner and
- if *Be the Change* is sufficiently successful, BFM's investment is repaid.

BFM has made an investment of £150,000 and outcomes payments are capped at £360,000 over three years.



2.4 Outcomes payments

Be the Change SIB has a single outcome measure “Young people (18-30 years old) not in education, employment or training are supported to live independently (in line with the Fair Chance Fund).” Like the FCF it uses a series of proxy measures (engagement, accommodation, education and employment) against which payments are made as shown in Table 2.1 below.

Metric	Indicator	Timing	
Young homeless people who are NEET participate in the scheme, measured by their input into goal-setting (development asset planning)	The person has successfully engaged with the intervention by participating on the assessment (measure through electronic signed copy of Asset Plan).	Three payments paid for: successful engagement and two subsequent assessments within nine months of registering an individual on the scheme	Initial assessment - £500 Second assessment - £500 Third assessment - £200
Young homeless people who are NEET secure and sustain accommodation	The person has successfully secured and sustained accommodation	An initial payment on entry to accommodation then four payments at 3, 6, 12 and 18 months	Move into accommodation - £500 Accommodation sustained for 3 months - £1,500 Accommodation sustained for 6 months - £1,500 Accommodation sustained for 12 months - £1,500 Accommodation sustained for 18 months - £1,500
Young homeless people who are NEET engage with education and training, leading to accredited qualifications and resulting in improved employment prospects through participation in accredited and non-accredited learning opportunities	The person has engaged with education and training (First level entry, Level 1 and Level 2)	Payment made when the individual achieves the relevant qualification	First Entry Level Qualification - £2,000 Level 1 Qualification (e.g. NVQ) - £3,000 Level 2 Qualification - £4,300
Young homeless people who are NEET secure full or part time employment and that this is sustained	The person has secured and sustained part time or full time employment	Sustained part time or full time employment for 13 or 26 weeks	Entry into Employment - £500 13 weeks part-time employment - £3,000 26 weeks part-time employment - £2,000 13 weeks full-time employment - £4,500 26 weeks full-time employment - £3,500

Table 2.1 – Measures and indicators



The outcome structure is designed to reward Mayday for achieving the main metric (accommodation) and sustaining it over a period of time. It is anticipated that most young people will be engaged and accommodated in Years 1 and 2 (of a three year contract) and that the focus in Year 3 will be on education and employment outcomes.

Though there is no payment for soft outcomes (largely because the SIB follows the FCF outcome and payment structure, which has no such payments), personal asset scores are measured and monitored as an integral part of the intervention.

First for Wellbeing partners also intend to measure other outcomes over and above those specified in the contract, to try and quantify the programme's broader social impact. This includes the impact on offending, local healthcare and the benefits system.

2.5 Development process and costs

Mayday has been exploring new ways of working that fit better with the actual (rather than perceived) needs of homeless people since 2011. It believes that contracting for outcomes provides the means to deliver a "real world" solution that allows providers to provide personalised services that respond to individual need. In 2015 Mayday made a strategic decision to align all its services to the delivery of PTS and only deliver services on an outcomes basis.

"Traditional contracts constrain providers (because of their specificity), outcomes-based contracts allow them the freedom to deliver differently, test new approaches and deliver better outcomes." Pat McArdle, CEO Mayday Trust

Mayday found that delivering outcomes-based contracts also meant taking a different approach to identifying opportunities and winning contracts. In 2014 it worked with an intermediary, Numbers for Good, using a £30,000 grant from the Investment and Contract Readiness Fund programme, in a contract readiness (or "SIB preparation") project to support its application to the FCF. This involved getting an evidence base together, aligned with the FCF outcomes, design of a delivery model and data management systems, investor engagement and help with the application.

As part of the transformation work undertaken under the ICRF, Mayday also employed a Social Impact Manager and started to collect, collate and interrogate real outcomes data in ways that were meaningful to the organisation as well as its funders. The Social Impact Manager is still in post and continues to provide the information that allows the *Be the Change* SIB to be managed on a light touch basis thereby keeping SPV management costs down.

Mayday's FCF proposition had three co-commissioners – Northamptonshire CC, Oxfordshire CC and Warwickshire CC – but the bid was unsuccessful. Despite the disappointment the FCF experience proved useful in that it allowed Mayday to develop an effective relationship with BFM (who had been selected as investor for the FCF SIB). This meant that when Mayday sought investment for its CBO Fund proposition it was a "known entity" (Matt Black, Numbers for Good).

Mayday was determined to carry on – and had a solid base on which to build – so in 2014/15 it developed and ran a six months pilot service for people experiencing homelessness in



Northamptonshire CC. This used the PTS approach and FCF outcomes with the objective of gathering evidence of its ability to deliver and get a measure of the impact it had on the cohort. In this pilot Mayday measured and reported outcomes against the FCF outcomes framework though the commissioner made payment in advance.

In January 2015, Mayday submitted an expression of interest and in February 2015 it was awarded a £30,000 development grant. Mayday engaged Numbers for Good to take forward their previous work and help develop the CBO Fund application.

Mayday had found keeping three commissioners interested in, and committed to, the FCF application very difficult and time consuming as each raised different issues about the SIB development and FCF application processes that needed to be resolved at different times. Of the three commissioners involved in the FCF application, Northamptonshire CC was particularly supportive. When the opportunity to develop a SIB with the CBO Fund presented itself, Mayday decided that, given its previous experience, it was better to work with a single commissioner and that commissioner should be Northamptonshire CC.

Northamptonshire CC agreed to support the CBO full application. It was already commissioning Mayday to deliver traditional services for homeless people and was attracted by the PTS that had some track record in achieving good outcomes. It was also helpful that there was a readily available set of pre-defined outcomes against which success could be measured and rewarded. The potential for CBO to make a contribution to outcome payments also encouraged the Council to make a positive decision.

In 2015/16, at the same time the CBO application was being developed, there was a major restructuring of Northamptonshire CC, which externalised public health services – including the Council’s responsibilities for homelessness – into a new organisation, First for Wellbeing. First for Wellbeing CIC was established in April 2016 and had three partners - Northamptonshire County Council, Northamptonshire Healthcare NHS Foundation Trust and the University of Northampton.

First for Wellbeing was a new company with a new Managing Director - who had not had any involvement in the development of either the FCF or the CBO applications. She was wary of taking on something new and was sceptical about the SIB proposition which, though it had been signed off by Northamptonshire CC, had lost all its key supporters as part of the re-organisation.

Mayday (in the person of Pat McArdle) worked very hard to keep the momentum going. She sent reports, provided information and data and communicated well and clearly with all the key stakeholders in First for Wellbeing and those in the wider public sector (District and Borough Councils, youth offending teams, the PCC, CCG and others) on which the service would rely for referrals. It was, according to Lorraine Meads (First for Wellbeing’s Service Planning and Commissioning Manager) entirely because of her significant efforts that First for Wellbeing decided to commission the SIB.



First for Wellbeing was already commissioning Mayday and wanted to continue to do so. It decided that the best way to do this was to keep the contract value below the EU threshold at which an open competition must be conducted. The result was a small contract (value £360,000), being run as a pilot to assess the feasibility of commissioning for outcomes across a wider range of services.

Although Mayday had already run a competition to find an investor for its FCF bid, it ran a further competition to procure a suitable social investor for this SIB. Three candidates were evaluated: Big Issue Invest (BII), CAF Venturesome and BFM. BFM was selected because of its capacity to be a so-called 'active' investor – i.e. be actively involved in the monitoring, evaluation and performance management of the contract - and because of the relationships it had already built with Mayday during the FCF process. Neither BII nor CAF Venturesome were considered to have the same capacity to be actively involved in these aspects that Mayday felt would be key to the success of the SIB.

The *Be the Change* SIB aims to address what some people perceive as a potential drawback in the FCF SIBs. This is that they allowed providers of supported accommodation who were also FCF providers effectively to get paid twice for the same outcome – by DWP for the rent on the accommodation, through housing benefit, and by DCLG for the individual being in accommodation through the FCF outcome payments. This also led to a potential disincentive to move service users from supported accommodation into independent living because the provider would lose its DWP payment. In addition, service users in supported accommodation were reluctant to find employment (without the promise of alternative accommodation) because they would lose DWP support and be unable to afford the rent.

The *Be the Change* SIB is therefore taking a “purist approach” to accommodation in the SIB in that supported accommodation is, as far as possible, to be used only when the service user’s circumstances demands it – otherwise general housing in the social or private rental sectors is used. This will be challenging for both Mayday as provider - it is difficult to source affordable accommodation in Northamptonshire - and for BFM as the approach makes the investment high risk. However, both consider it worthwhile in order to avoid the “impact risk”, in terms of the institutionalisation of service users, inherent in an unintended bias towards the supported accommodation approach.

The small scale of the SIB (an investment of £150,000) was a challenge for BFM given that it normally aims to make larger investments in SIBs. However, BFM’s Investment Committee was prepared to back the contract because:

- it allowed BFM to “invest in what we know” in terms of both the social policy area and the provider;
- it was happy with the FCF rate card;
- the service is replicable;
- it provided the opportunity to test a new intervention (PTS) and build a for it with a view to making the model available for homeless service groups nationwide; the SIB was initiated by a local commissioner (as opposed to other Homeless SIBs that have been developed in response to central government funding programmes). BFM hopes to be



able to use the precedent set here to persuade others to buy the BFM backed, Mayday delivered PTS service; and

- only a small amount of resource is needed for performance management because BFM is largely able to rely on, and trust, the information provided by Mayday's Social Impact Manager.

The SIB went live in June 2017 and is receiving a 24% contribution to outcome payment from the CBO Fund.

3. Key benefits and drawbacks of the SIB approach

3.1 Advantages of the SIB approach

The main advantages of the SIB approach for the *Be the Change* service include:

- **Ability to provide personalised services that respond to individual need.** The outcomes contract allows Mayday to work with individuals free from the constraints imposed by the type of contracts more routinely let by commissioners. Outcomes-based contracts are characterised by their lack of specificity in terms of inputs, activities to be undertaken, etc. and, in the context of this contract, the type of accommodation to be provided. They provide the opportunity to support service users, in this case homeless young people, with what they actually want and need to develop solutions to their problems. Use of a SIB approach allows Mayday to deliver its asset-based PTS service and continue to develop the evidence base for its effectiveness with a view to further roll-out.
- **Potential to replicate and scale.** Mayday and BFM hope to replicate and scale the SIB by offering an off the shelf SIB package to more local commissioners. To that end measures around healthcare, benefits payments and offending are being captured, alongside accommodation and employment, to demonstrate the broader social impact, and value for money, of the PTS.
- **Better scrutiny of service delivery.** Measuring the impact of the *Be the Change* SIB is an integral part of the service, not an add on. This is a particularly important feature of the SIB for the commissioner as First for Wellbeing is keen to learn from the SIB and test its applicability in other policy areas. Other potential future advantages identified by the commissioner include the rigour that the SIB structure enforces, and "*the demonstrable VFM and better quality services that flow from it*" Lorraine Meads (First for Wellbeing's Service Planning and Commissioning Manager).
- **Transfer of risk to the investor.** This is a "conventional" SIB. That is one in which the investor is taking the financial risk and paying the provider, Mayday, on a fee for service basis.



3.2 Challenges in developing the SIB

The challenges encountered in developing the SIB included:

- **Initial commissioner engagement and ongoing involvement.** As already discussed, this SIB was a long time in development – 31 months from initial application to the CBO Fund to contract start. A significant amount of effort went into engaging and involving both commissioners and the wider group of stakeholders (District and Borough Councils, youth offending teams, the PCC, CCG, etc.) who would make referrals to the service. The major restructuring of Northamptonshire CC in 2015/16 meant that the SIB lost most of its key supporters and Mayday had to undertake the not insignificant task of engaging a different group of people in a newly formed organisation – something it was able to do successfully. This experience mirrors that in other SIBs of initiating and maintaining commissioner buy-in in the face of changing local circumstances.
- **Change of commissioner.** The challenges of commissioner engagement were exacerbated by the fact that the original commissioner was First for Wellbeing but the commissioner effectively became Northamptonshire CC when First for Wellbeing was taken in-house in April 2018. This meant that the contracts had to be novated and, possibly more importantly, it took time for the new commissioner to become familiar with the aims and objectives of the SIB.
- **Size of the contract.** First for Wellbeing was already commissioning services from Mayday and wanted to continue to do so. To do this meant a) keeping the contract value below the EU threshold requiring competition and b) satisfying internal procurement rules. The result is a small contract, being run as a pilot, for services commissioned on an outcomes basis. While keeping the SIB small made procurement relatively straightforward (and low cost) for First for Wellbeing, its small scale made it challenging for BFM to get it through its Investment Panel.
- **Use of the Centre for SIBs template contract.** While BFM was comfortable with the use of the template contract, First for Wellbeing, perhaps understandably because this was the first time it had used it, was less so. It felt that though the template contract provided a good starting point, it did not take account of the specific operational obligations and requirements of service it was buying. This meant there was a lot of interaction between it, BFM and the Centre for SIBs – some of it time consuming – that First for Wellbeing did not expect. This criticism may be due, in part, to First for Wellbeing's over-optimistic expectation that the template contract would be capable of being used without amendment. It is interesting to note that in our wider research for the CBO evaluation the contract template has, on the whole, been well received; commissioners responding to our survey rated it on average as 4.6 out of 5 in terms of usefulness. However, some commissioners did find they were unable to use it due to internal insistence on a standard form of contract, or found it unduly detailed and onerous.⁷

⁷ See Ronicle et al, 2019. *Commissioning Better Outcomes Fund Evaluation: 2nd Update Report: Full Report*, pg. 52: https://www.tnlcommunityfund.org.uk/media/CBO-2nd-Update-Report_FINAL_FINAL.pdf?mtime=20191018112839



3.3 Disadvantages of the SIB approach

Taken in isolation, the cost of developing the *Be the Change* SIB (a £30,000 ICRF grant plus a £30,000 CBO development grant) was high in terms of both money spent and staff time in relation to the size of the contract. However, Mayday used the 2014 ICRF grant to help it become SIB ready and develop the FCF SIB that evolved into the *Be the Change* SIB. The cost quoted here is therefore attributable to a wider range of activity than that involved in the development of this SIB.

3.4 Other observations

The following observations about the SIB and its development are also worth recording:

- **Fit with organisational culture.** Mayday is committed to delivering its services on an outcomes basis – with or without PbR. Its CEO believes that this is a “real world” solution that allows providers to provide personalised services that respond to individual need. Indeed, in 2016 Mayday took the strategic decision to withdraw services in areas where it could not negotiate to deliver the PTS. This clarity of focus meant that Mayday (in the person of its CEO) was determined to make the SIB work despite the disappointment with its FCF bid and the significant challenge posed by the wholesale re-structuring of Northamptonshire CC during the SIB development phase.
- **The use of an existing framework** in this case the SIB design used in the FCF - meant that many of the challenges faced in developing other SIBs did not materialise here. The framework’s DCLG “backing” made it easier for Mayday to sell the proposition and for the commissioner to commit to it. The commissioner was familiar with how the FCF worked having been involved in the development of the original application. The availability of pre-defined outcomes, metrics and payment tariff meant that very little development work was needed for the SIB (on top of that done for the FCF application) and these have been used to develop an “off the shelf” SIB-backed PbR service that Mayday and BFM hope to roll-out to more local commissioners.
- **Availability of the CBO contribution to outcomes payments.** First for Wellbeing was a brand new organisation when it made the decision to commission the SIB. The proposition would have been harder to sell if the 24% CBO contribution had not been on the table.
- **Availability of data to build the case.** Mayday had invested internal resources in advance of making its CBO application. It had, for example, run pilots in Oxford and Northamptonshire, employed an Impact Manager to collect and collate evidence relating to its services and developed a thorough understanding of the local context. This meant it was possible to build the case for the SIB using “real” data and impact actually achieved. This added credibility to the proposition to both the commissioner and the investor.

4. Conclusions and lessons learned

4.1 Conclusions

This SIB is in part the result of Mayday changing its entire approach to contracting. Mayday believes that traditional contracts, because of their specificity, constrain providers while



outcomes-based contracts allow them the freedom to deliver differently, test new approaches and deliver better outcomes. In 2015, it took the strategic decision to align all of its activities to the delivery of PTS – its outcomes focussed service. This necessitated a move away from tendering for, and delivering, “traditional” contracts and finding new sources of revenue that would allow Mayday to deliver differently – these included social investment.

What is less clear is exactly how Mayday are using the capital that has been provided, notably as a flexible source of finance and cashflow that enables it to test its outcomes-based approach and change its intervention model where necessary. This is something that we will aim to explore in the second visit.

Both the FCF and the CBO Fund provided an opportunity to take advantage of an alternative source of funding that would allow Mayday to deliver services in the way it wanted. The FCF also provided a readily available set of outcomes and a payment structure that could be adopted for the Be the Change SIB. This had advantages in making it quicker and easier to develop the SIB, and indeed has proven to be a ‘test case’ for one route to successfully replicating SIB models that brings down the transaction costs of developing the SIB, which are frequently cited as being a major barrier to the future sustainability of SIBs.⁸ However, this also meant that there was a reluctance to change the structure in ways that might arguably have been desirable – for example to include soft outcome measures that are not part of the FCF structure. Therefore, replicating previously-developed SIB models is an effective approach to developing SIBs, but requires compromise.

Mayday had done a lot of work to build its presence and credibility with Northamptonshire CC before applying to the CBO Fund. It had run a pilot, using its PTS approach and FCF measures and metrics, and had worked closely with Northamptonshire CC, as a commissioner, to develop the FCF bid. The pilot provided both local performance data and a track record of successful local delivery on which to build when developing the CBO Fund application and, was key to demonstrating Mayday’s ability to deliver.

While Mayday’s track record went some way to persuading commissioners to support its CBO Fund application, it was the potential of a contribution towards outcomes payments from the CBO Fund that was instrumental in persuading both Northamptonshire CC and then First for Wellbeing to support the CBO application.

4.2 Lessons learned

There are four key lessons to be taken from the development of this SIB, which confirm the findings of our wider research for the CBO Fund contained in our LOUD SIB model.

- **Leadership is key.** Mayday had to expend a lot of effort to keep the momentum behind the SIB going and obtain and maintain commitment in the face of changing circumstances. Even without root and branch re-organisation of the commissioning body, as happened in this case, commissioning post holders move regularly and providers have to be prepared

⁸ See Wooldridge et al, 2019. *A study into the challenges and benefits of commissioning Social Impact Bonds in the UK, and the potential for replication and scaling: final report:* <https://www.gov.uk/government/publications/research-social-impact-bond-commissioning-and-replication>



to “sell” the SIB repeatedly to a range of audiences. The *Be the Change SIB* was provider-led but commissioner-led SIBs face the same issues and challenges.

- **Use of existing outcomes.** Rather than starting from scratch, Mayday decided to use the existing FCF outcomes and rate card. This lent credibility to the proposition and made the development work for the SIB relatively straightforward – notwithstanding the difficulties in maintaining commissioner commitment in the light of an organisational re-structure. The framework’s provenance also helped to establish the credibility of the approach with a new set of stakeholders. In both other findings from this evaluation⁹ and other recent SIB research¹⁰ there is evidence that the re-use of outcomes and rate cards is becoming a feature of SIB development and is also facilitating the replication of SIBs in some circumstances.
- **Shared understanding of the “problem” is important.** All parties involved in the SIB (Mayday, First for Wellbeing and BFM) had a common understanding of the policy “problem” to be addressed, in this case homelessness among young people) and agreed that the SIB represented an innovative solution, for First for Wellbeing who had not commissioned for outcomes before, with potential for scale and replication that was worth pursuing, despite the challenges that arose during its development.
- **Availability of local data.** The SIB benefitted from the availability of robust local data, specifically from the pilots Mayday had run, which strengthened the case for the SIB and bolstered the credibility of the proposition for both the commissioner and the investor. Building a business case, and persuading stakeholders to take a risk, is harder if there is only national or international data on which to rely.

4.3 Areas for future investigation

A key motivation for both Mayday and BFM in developing the *Be the Change SIB* is to scale and expand it to other areas. In our next visit we will explore how successful they have been in this given that contributions to outcome payments will no longer be available.

We will also explore how the working relationship between Mayday and BFM has developed over the life of the SIB with a particular focus on the impact, if any, of BFM’s performance management approach. We will also investigate how the capital provided by BFM has enabled Mayday to take a more flexible approach to delivery, as has been the case for other SIBs and outcomes contracts supported by BFM.

One of the key principles of *Be the Change* is to find and use accommodation in the wider social and private housing market and avoid the use of supported accommodation except where strictly necessary to meet individual needs – thereby avoiding the potential perverse incentives

⁹ See for example the latest Update report from this evaluation, downloadable at https://www.tnlcommunityfund.org.uk/media/CBO-2nd-Update-Report_FINAL_FINAL.pdf?mtime=20191018112839

¹⁰ See for example A Study into the challenges and benefits of commissioning Social Impact Bonds in the UK, and the potential for replication and scaling, downloadable at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/844190/A_study_into_the_challenges_and_benefits_of_the_SIB_commissioning_process_Final_Report.pdf



present in the FCF. We will identify the extent to which this purist approach worked in practice at the next review.

First for Wellbeing is attracted to outcomes-based commissioning because it means that “...*the commissioner is not too tied up with writing service specifications and can get away from being instructive*”. (Lorraine Meads, (First for Wellbeing’s Service Planning and Commissioning Manager). It views the SIB as a test of the applicability of commissioning for outcomes in other areas. We will also explore whether, and in what areas, First for Wellbeing has used outcomes based commissioning in its business at our next visit and how far the learning and experience from the development and delivery of the *Be the Change* SIB has been embedded in the commissioning body and wider stakeholders.

Mayday expects to gain a lot of learning and experience from the delivery of the *Be the Change* SIB. It also has extensive plans, set out in its final application to the CBO Fund, for sharing of learning and good practice, with the intention that this model will be made available for homeless service groups nationwide. As part of the next review It will be interesting to discover what learning and experience it has been able to use, and what impact it has had, in the delivery of its own projects; and whether and to what extent it has been able to successfully transfer learning to other projects.

5. About this report

This in-depth review report is the sixth in a series being produced as part of the CBO Fund Evaluation, commissioned by The National Lottery Community Fund and undertaken by Ecorys UK and ATQ Consultants. The CBO Fund aims to encourage the development of SIBs and similar financial mechanisms. The report is based on a review of documents provided by stakeholders and consultations with key stakeholders involved in the SIB, including representatives from the commissioner intermediary, provider and investor. Consultations took place between November 2017 and January 2018. The report will be updated in subsequent years to provide an account of the SIB’s progress. The report was written by Eileen Robinson, Director at ATQ Consultants (eileen@atqconsultants.co.uk).

In total, the evaluation will produce in-depth reviews of nine SIBs part-funded through the CBO Fund. More information about the CBO Fund evaluation, including other in-depth reviews, can be found at <https://www.tnlcommunityfund.org.uk/insights/social-investment-publications>.