



An indepth review

for the Commissioning
Better Outcomes
Fund Evaluation

HCT Independent Travel Training Social Impact Bond

1 Summary

The overwhelming majority of young people with Special Educational Needs or Disabilities (SEND) travel from home to school or college using taxis and minibuses arranged and paid for by their local authority (LA). This costs LAs in England more than £0.5 billion annually. Even more importantly, while for many, specialised transport is essential and profoundly impactful, for some who could travel independently, such transport is not effective in encouraging that independence and reducing social exclusion amongst young people with SEND.

This social impact bond (SIB) is intended to fund independent travel training, provided by HCT Group, on a significant scale with a number of commissioners. Through such training, the expectation is that young people with SEND will be able to travel on public transport (or in some cases move to shared transport from taxis), so improving their independence and well-being and enhancing their life chances as they become adults. There will also be significant cashable savings to the commissioning LAs as they reduce their use of specialist transport and rationalise existing provision.

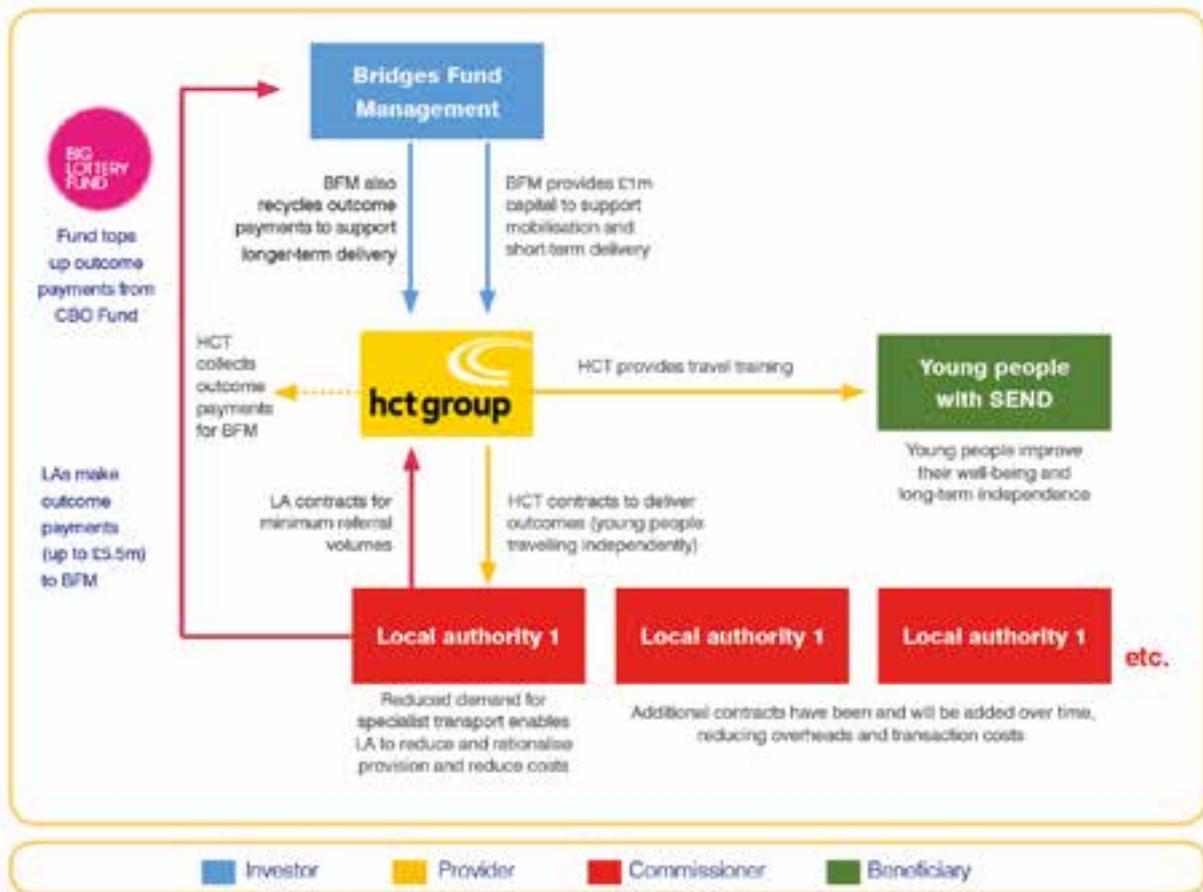
HCT has worked with a number of commissioners to develop the SIB, and the SIB contracting model is designed to allow commissioners to contract for the service when they are willing and able to do so. The first SIB contract was signed with the London Borough of Lambeth (LB Lambeth) in late 2016 and a contract with Norfolk County Council (Norfolk CC) followed in July 2017, with further contracts with other commissioners signed¹ or in the pipeline. The contracts vary in length according to commissioner preferences: the Lambeth contract runs for three years and the contract with Norfolk for five years (with HCT continuing to monitor outcomes for a further year in both cases).

HCT worked with Bridges Fund Management (BFM) from an early stage and has received investment from BFM to cover the working capital requirements of the programme. The initial investment for the Lambeth contract was around £430,000 and, as and when new commissioners come on board, BFM will make follow-on investments. The total investment needed to make the SIB work is forecast to be in the order of £1 million, against total outcome payments, if remitted in full, of c. £5.5 million.

¹ A further contract has since been signed with Surrey County Council

1.1 How the SIB works

The logic behind the SIB is summarised in the figure below (note that this is simplified and does not reflect the detailed operating and contracting structure of the SIB which is shown in section 2.3)



The key to the success of the SIB is that it enables local authorities to fund travel training at greater scale. Many LAs fund travel training, but schemes tend to be small because they have to be funded in addition to statutory specialist travel provision.

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

The SIB model supports this because:

- The commissioning LA does not have to pay for the training unless and until the key outcome (the young person being able to travel independently) is achieved, by which time the LA will start to make savings

- The risk of delivering the outcomes is borne by BFM as the investor, who will be repaid only if outcomes are achieved and will recycle outcome payments to fund further service delivery beyond their initial start-up investment.

Each LA is, however, committed in the contract to make a minimum number of referrals to the training programme, recognising that their involvement in this way is key to the success of the contract and, ultimately, to it achieving change at the scale needed to make the SIB viable.

The SIB has also been designed to be easily replicable, so that as further contracts are made with new local authorities, they will become easier and cheaper to implement and the investor and provider will achieve economies of scale, supporting the SIB's viability.

1.2 What are the successes?

- 1** **The SIB makes travel training at scale viable** for commissioners who understand the benefits that it can bring to young people but cannot afford the investment needed for a large-scale travel training programme that would have to be funded in addition to and alongside existing statutory transport provision for young people with SEND.
- 2** **The SIB generates cashable savings.** Savings are cashable because most current specialist transport provision is delivered on a contracted-out basis by third-party providers, and therefore this spending can be switched off as minibus and taxi contracts are stopped in response to more young people successfully travelling independently. Some of these savings can be realised quickly – for example if a taxi firm is contracted to take a single child to and from school, and the contract can be ended immediately. Others are more challenging to realise and require existing transport (e.g. minibuses) to be reorganised so that it runs at maximum capacity as more children start to travel independently. Savings may also be realisable only when a block contract to provide a certain level of transport provision is renegotiated. This is another reason why the ability to commission at scale is important, because otherwise the reduction in current demand would be marginal – and too small – to enable those savings through rationalisation that are needed to make independent travel training becoming widely possible. In other words, the SIB creates a virtuous cycle.
- 3** **The SIB model can be easily scaled up and replicated** through adding further commissioners, each with a separate contract. The SIB model has been designed to be as simple as possible with a single commissioner for each contract, and a single provider, intervention, investor and payable outcome. New commissioners can be added over time into the same overall structure, reducing transaction costs, providing economies of scale and reducing the overall investment requirement.
- 4** **The SIB's development process in itself has highlighted wider opportunities to improve services and reduce costs further.** Detailed analysis of current patterns of provision, required as part of the development of the SIB business case for each commissioner, has in some cases produced data that highlights further opportunities to improve the efficiency of current delivery and reduce costs beyond those that can be generated directly by the intervention.

1.3 What are the challenges?

- 1 Commissioner commitment has been hard to sustain.** At the time of this review, only two of the commissioners originally engaged by HCT had entered into a contract, and some of the other commissioners who originally expressed interest or worked with HCT to develop the SIB subsequently withdrew. Much of this has been because of changes in personnel at LAs or the challenges of gaining commitment from different stakeholders, and in one case a commissioner being uncomfortable about letting a contract with HCT without competition. HCT has therefore had to work with multiple commissioners to ensure success.
- 2 It has taken longer than expected to complete negotiations and sign contracts.** Some of this has been due to stakeholder engagement issues but both commissioners interviewed who had signed contracts to date took the view that the contract documentation itself had been more complicated than it need have been.
- 3 Stakeholder issues and concerns have delayed some contracts** (sometimes for reasons unconnected to the SIB or contract mechanism). The SIB model itself is relatively straightforward but the SIB requires positive engagement from several departments in each council and equally, if not more importantly, from the young people who receive the training, their parents and guardians, their schools and individual teachers.
- 4 Detailed and deep data analysis has been needed to build the business case** – even though the outcomes are simple to measure. There is potential to achieve cashable savings but the overall level of impact (based on data on referrals and success rates) needs to be carefully calculated and fully understood, as does the speed and ease with which savings can be cashed, while taking account of the need for service rationalisation and reorganisation to achieve some savings as explained above.

1.4 What are the lessons learnt?

- 1** **SIBs do not need to be complicated** if there are not multiple parties to the contract and the outcomes are simple to set and measure. While some SIBs have numerous variables and require complex management arrangements, this project shows that more straightforward contracting models are possible and beneficial – in the right circumstances.
- 2** **In-depth data analysis is still likely to be needed** to prove the business case for the SIB, however, even when the contracting model is straightforward, as it is here.
- 3** **Commissioner commitment is critical** to any SIB whose development is led by a provider. Even with promising levels of engagement, providers need to manage the risk that some commissioners may ultimately not be able to commit to the SIB contract.
- 4** **Active stakeholder engagement and management remains important** in most, if not all, SIBs since SIBs often involve innovative approaches to service delivery that may challenge existing provision or encounter resistance to change.
- 5** **SIB contracts take time to put in place** even when the contracting structure is relatively straightforward. This can be because of the challenge of engaging stakeholders, but also because complex or innovative contracts with public-sector agencies – who have statutory and fiduciary duties and face considerable risks if they get things wrong – always require time to build confidence. LA decision makers understand that there are political and reputational risks if a contract is perceived not to have been successful, as well as costs if the contract has to be terminated. There may also be risks (real or perceived) specifically associated with a SIB, such as lack of confidence in managing the role of the investor and the risk of paying more than necessary to achieve the outcomes.
- 6** **Government ‘backing’ for a SIB can be important to its success.** Cabinet Office (now Department for Culture, Media and Sport) and Big Lottery Fund co-funding of this SIB through the Social Outcomes Fund and Commissioning Better Outcomes (CBO) Fund respectively appears to have encouraged some of the commissioners to participate, because they value the ‘seal of approval’ that this co-funding brings, over and above the financial benefits of these funds. The reason for this are not entirely clear but may have something to do with the reputational ‘kudos’ that public bodies believe comes with such a co-funded approval of a contract.

2

What is the SIB model?

2.1 The intervention

The intervention takes the form of training and support to young people with SEND so that they can travel from home to school independently and use public transport, rather than relying on specialist transport, usually in a taxi or minibus. LAs have a statutory duty to make transport arrangements for all children who, due to SEND, are unable to walk to school because of their mobility problems, or associated health and safety issues.

The specific form of independent travel training that is used in this case has been developed and refined by HCT Group, in consultation with service users, over the past five years. HCT Group is itself a social enterprise in the transport industry, providing over 20 million passenger trips on its buses every year across a range of services from community and social services transport to conventional London red buses. It is a significant enterprise with a turnover of £50 million in 2016/17, and 1,170 employees.

For young people who meet the right criteria for referral to the project (described further below), the HCT approach starts with a route and risk assessment for each individual, with a suggested route and mode of transport agreed between coordinator, trainer and trainee. Initially, the trainer meets the trainee at their door and escorts them the entire length of the journey, covering a number of key transferrable skills along the way, including route planning, money management, road safety, personal safety and communication.

After a varying number of sessions, according to the trainee's needs, and once the trainee has built confidence and some travel competence, the trainer will arrange to meet them at a suitable point somewhere along the first part of the journey. Once this has been successfully navigated, while continuing the skills training, the trainer gradually increases the amount of independent time the trainee spends on the journey until they are completing the journey alone, with the trainer shadowing. Once the trainee has completed an agreed number of journeys independently, including using an additional route, the coordinator will arrange a 'sign off' session to include the trainer, trainee, carer and a member of the LA transport team. The training records are reviewed to check that all criteria have been met and the trainee is then signed off as independent. Once the trainee has completed training, their progress will be monitored and if the trainee or their carer has concerns about their continued ability to travel independently, the trainer can be called upon to repeat some sessions or cover specific skills. A different trainer or coordinator will then be asked to carry out spot checks three and six months after training to ensure the trainee is still travelling independently and safely. This ensures independent monitoring of progress and guards against any incentive to keep people travelling independently when they are not suited to or ready for it.

2.2 The SIB business case

Independent travel training is not new. Good practice guidance recommending the use of travel training was published by the Department of Transport in 2011, and a number of LAs have already developed travel training schemes, with others considering doing so. Travel training has therefore been provided alongside specialist transport through minibuses and taxis, as a way in which LAs can meet their statutory duty to make appropriate transport arrangements for all children and young people with SEND. However, most of these travel training schemes (including some run on a conventional fee-for-service basis by HCT) are small-scale, which means that it is more difficult to realise the benefits that could potentially accrue from such schemes. This limit on impact is hard to avoid without the benefit of up-front investment from a SIB (which produces a virtuous cycle of savings ploughed back into greater impact) since travel training must be funded alongside traditional provision, and at additional cost, while the training is taking effect.

The logic of the SIB is that by reducing the initial costs to the commissioning LAs (who will only pay once young people are signed off as travelling independently) the intervention can be commissioned at sufficient scale to significantly increase both the social and financial benefits and enable travel training to become wholly self-funding. Even at small scale, there is evidence² that enabling young people with SEND to travel independently will improve both their short-term well-being and longer-term life chances, and the ability to commission at greater scale will improve these benefits commensurately. The ability to use public transport is seen by many, including the government, as the means by which the most marginalised in our society can access jobs, education, healthcare – or even the simple freedom of getting out and about. The Department for Transport's own guidance on travel training³ cites the benefits as:

- Increased independence and confidence, improved self-esteem
- Increased opportunity to participate in social and leisure activities
- Improvement to general health and well-being, improved quality of life
- Reduced likelihood of developing behavioural problems
- Enhanced educational performance
- Increased opportunity to access healthcare services
- Increased opportunity and likelihood of entering employment or education.

In addition, commissioning at scale has the potential to deliver direct and cashable savings to the commissioners, thus making it much more attractive. The Association of Directors of Children's Services (ADCS) estimates that, in 2015/16, LAs in England spent an estimated £627 million on SEND home-to-school transport.⁴ Since most of this is in the form of contracts for taxis and minibuses there are potentially significant savings to the commissioning councils if the use of specialist transport can be reduced.

The ability to cash savings does, however, depend on there being sufficient reduction in numbers using such transport to generate economies of scale, because the majority of taxis and minibuses are shared. There will therefore be no saving if, say, only one young person out of three no longer uses a taxi or two out of six no longer travel by minibus unless existing transport can be reorganised to release some capacity altogether.

The challenge of developing a financial case for the SIB was therefore less about establishing whether the intervention would reduce demand for specialist transport, and more about whether reductions would be on sufficient scale to enable there to be rationalisation of existing transport provision so that some existing contracts could be terminated or reduced in scale.

² See for example Implementation of the Right of Disabled People to Independent Living: House of Lords, House of Commons Joint Committee on Human Rights, HL Paper 257, HC 1074 March 2012

³ Travel Training: Good Practice Guidance, Department for Transport, 2011

⁴ Home to School Transport: Survey of Local Authority Spend 2015/16: ADCS 2016

In order to establish this, HCT worked closely with the potential commissioners of the intervention and did considerable analysis in order to establish the extent of potential savings and how easily and quickly they were likely to be realised. HCT was able to do this because of its own long experience as a provider and operator of specialist transport. The analysis focused on two key variables:

- **The number of young people considered suitable for the intervention and likely to benefit from it.**

HCT has taken considerable care to ensure that the right young people will be targeted by the intervention and agreed some exclusions with potential commissioners. These included those:

- ▶ whose current journey was longer than 1.5 hours (because it would be challenging to travel over potentially multiple public transport routes for such a time and distance)
- ▶ whose special needs were of certain types (for example requiring medical assistance)
- ▶ who were younger than 11.

Beyond these standard parameters, the business case needed to allow for assessment of individual circumstances and the possible refusal of some parents to allow their children to take part.

- **The extent to which existing transport could be rationalised and there would be cashable savings as a result of such rationalisation.** This required in-depth analysis of:

- ▶ existing data on routes
- ▶ the type of transport and its utilisation
- ▶ whether transport was spot or block-purchased

2.3 Contracting model and SIB structure

2.3.1 Contracting model

In developing this SIB and working with commissioners to put it in place, a key objective of HCT was to develop a SIB that was as simple as possible:



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



Dai Powell, Chief Executive, HCT Group

This is reflected in the SIB structure and contracting model, which has the following features:

- **A separate contract directly with each commissioner.** While the SIB has been designed so that a number of commissioners can take part, they will each do so under a separate contract, which will be entered into directly with HCT Group. There will be only a single commissioner of each contract, which will be the relevant LA. This means that each LA can commission HCT independently and without being in any way dependent on the actions or decisions of other past or future commissioners. At the time of writing this review, contracts were in place with two commissioners (LB Lambeth and Norfolk CC), another LA had completed a procurement process and confirmed HCT as its preferred supplier and discussions were in progress with other LAs.
- **A single provider of the intervention.** HCT will be the only provider of the travel training and there will be no other providers.
- **A single investor.** The social investment required to provide working capital and up-front payment to HCT is all coming from BFM via their SIB Fund. Funding has been designed to be fully risk taking, i.e. repayment is dependent on achievement of the target outcomes.

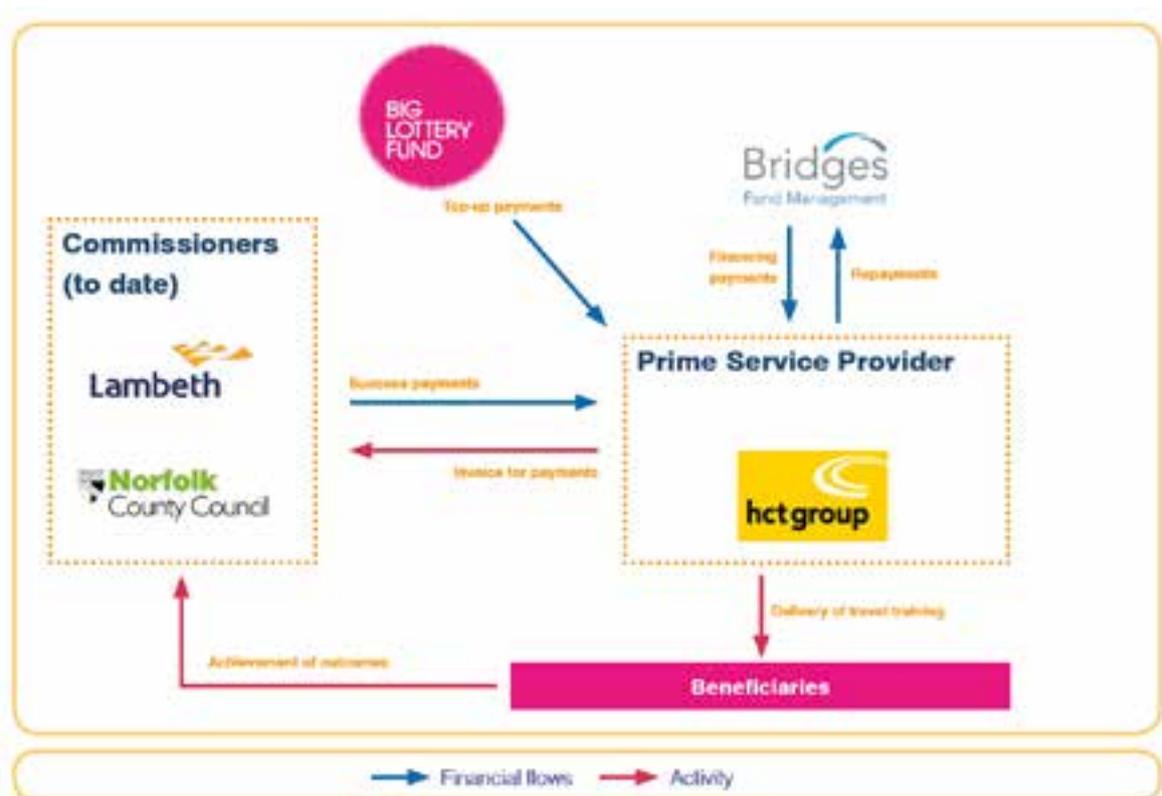
The relatively straightforward contracting and investment model, easily measurable outcome (see below) and direct relationship between HCT and a trusted investor, also means that:

- The SIB delivery and operating model can be easily replicated and additional contracts added with new commissioners
- Performance management of the contracts, once in place, is expected to be 'light touch' compared to other, more complex outcome-based contracts. This is likely to minimise performance management costs for both the provider and investor.

2.3.2 Operational structure and financial flows

The operating structure of the SIB is summarised in the diagram below. It is worth noting that although the contracting model is deliberately simple, the flow of funding and payments will be as follows:

1. BFM provides financing to HCT, as an advance on the outcome payments that will later be billed by HCT
2. HCT contracts with each commissioning LA and invoices that LA for outcomes achieved
3. Each contracted LA pays HCT for outcomes achieved as per invoice, with outcome payments passed on to BFM
4. HCT similarly requests co-payments (to cover delivery costs only) from the CBO Fund
5. Big Lottery Fund makes co-payments to HCT
6. The outcome payments are recycled to provide additional financing for HCT
7. If the project is sufficiently successful, BFM's investment is repaid.



2.4 Investment structure

BFM is providing up-front capital for the SIB to cover the costs of mobilisation and delivery by HCT prior to outcomes being achieved and payments for those outcomes being made. Outcome payments will pass from commissioners to BFM via HCT and be recycled to pay for more delivery. This will keep HCT's need for start-up and working capital to a minimum, because they will only need funding until outcome payments start to flow. In total, around £1 million of investment is expected to be needed across contracts that will generate up to £5.5 million in outcome payments.

Towards the end of the contract period, if sufficient outcomes have been achieved, the initial investment can be repaid.

2.5 Outcome payments

The 'keep it simple' philosophy that lies behind this SIB is reflected in the outcome payments structure. There is only one, easy-to-measure outcome to which payments are linked, namely the young person is no longer using specialist transport provided by the LA and is using public transport to get to school/college.

The payment structure is designed to reward HCT both for achieving this outcome and for sustaining it over a period of time. The actual payments will vary from one commissioner to another but, typically, there will be:

- A first payment once the young person has successfully completed travel training and has been signed off as able to travel independently
- A second payment once independent travel has been sustained for one full term (subject to an independent verification spot check)
- A final payment once independent travel has been sustained for two full terms in total (again, subject to a spot check).

The measurement of this outcome is equally simple and it is a so-called 'binary' and objective outcome which has either been achieved or has not. A complicated measurement of the counterfactual is, in HCT's view, not required because it is highly predictable what would happen in the absence of the intervention – the young person would in nearly all circumstances continue to use specialist transport, as required by statute, until their education is no longer the LA's responsibility.

In addition, the sign-off process and subsequent verification guards against the risk of any perverse incentive to deem people capable of independent travel inappropriately, because a number of parties in addition to HCT, including the LA, the young person themselves and their parent or other carer, have to agree that the trainee can and is travelling on their own.

Although only one outcome drives payment, it is critical to the success of the SIB that it achieves the wider social benefits for the trainee, in terms of individual well-being and longer-term social inclusion, which are expected and summarised in section 2.2 above. HCT therefore plans to measure the achievement of a number of wider outcomes and has developed its own measurement tool, the Well-being Wheel. Using this tool, young people who have completed training will assess their well-being across a number of dimensions including mental health, physical health, friends and family, independence and getting around, citizenship and community, access to local facilities and hopes and future.

2.6 Development process and costs

2.6.1 HCT leadership and engagement of key parties

As noted above, the process of developing this SIB has been led throughout by HCT Group. HCT was already active in the provision of travel training on a small scale and saw the opportunity both to use a SIB mechanism to develop the travel training approach at larger scale, and to develop a SIB structure that was as straightforward as possible.

HCT was supported in the development of the SIB by Bates Wells Braithwaite (BWB) and received development support from the CBO Fund of £101,000.

This development grant was awarded in September 2015 and the majority of development work was done in late 2015 and the first half of 2016. The key development tasks, led by HCT, were to:

- Identify the potential cohort that might be suitable for travel training in each LA area
- Develop the business and financial case for the SIB with each commissioner, as described in section 2.2 above
- Develop an appropriate payment mechanism
- Develop an appropriate contracting and SIB structure, also described above.

HCT engaged a number of commissioners who agreed to work with them in developing the SIB approach. Some of these, including LB Lambeth and Norfolk CC, had been identified by the time the Expression of Interest was published. Others came on board later, while some of those initially identified subsequently dropped out as their priorities and commitment to the SIB model changed. HCT and BWB both commented that they had deliberately engaged with a wider pool of potential commissioners than needed to make the SIB viable, in the expectation that some of them might drop out.

HCT also engaged with investors at an early stage and invited selected investors to compete for the opportunity to support them in providing the working capital needed. HCT is a relatively experienced and large social enterprise which has previously accessed social capital from a range of sources (although this is the first time it has used social finance to support an outcomes contract). HCT was therefore comfortable speaking to investors and looking for the best deal available. The investor it selected, then Bridges Ventures (now BFM), had a previous and long-standing relationship with HCT and had previously provided it with growth capital.

BFM was thus actively involved in the SIB development from an early stage and made an active contribution to a number of aspects – notably the design of an appropriate operating structure and contracting model. A key objective of BFM, for example, was to help ensure that the contracts were made directly between HCT and the commissioning LAs, thus ensuring a simpler structure.

“We had a long-standing relationship with HCT and given the specific nature of this model we felt it could work best if there was a direct contract between each commissioner and HCT.”

Adam Kybird, Bridges Fund Management

2.6.2 Commissioner experiences of the SIB process

From the commissioner perspective, we have limited insight into the motivation of some potential commissioners as we have been able to interview only the commissioners (Lambeth and Norfolk) that have actually entered into a contract with HCT at the time of writing (rather than those who withdrew or are contemplating it). It is interesting to note that both the authorities who had signed up to the SIB at the time of writing this report were identified by HCT as possible commissioners when it first submitted its Expression of Interest to the CBO Fund, and have therefore stuck with the process throughout. The main experiences of both these commissioners are summarised below.

As mentioned above, other commissioners were engaged in the process of developing this SIB but failed to complete development. The most important of these was a county council in the South of England which was initially a lead commissioner and named as such in the Expression of Interest to the CBO Fund. We understand that this commissioner was fully engaged in the development of the business case but did not proceed to a contract because it was reluctant to give preference to HCT through a single tender process, and therefore withdrew. However, we have been unable to verify this directly with the council concerned.

London Borough of Lambeth

As noted above, LB Lambeth was the first commissioner to commit to a contract under the SIB. It is clear that Lambeth was motivated by the potential to test the effectiveness of travel training on a much larger scale than hitherto (Lambeth already had a small-scale travel training programme in place) and by the consequent financial savings. Despite the challenges and time taken to conclude a contract, it was not apparent from our discussions with Lambeth that they had faced significant or extraordinary internal challenges in making the SIB work. This appeared to be in part because travel training as a concept was already accepted by senior decision makers (and is also being used by other London boroughs).

“The travel training service is not unique or very different to other schemes but the funding structure is.

Katy Briggs, Lead Commissioner for Children’s Services, LB Lambeth



In addition, Lambeth appears to have found it easier than some other commissioners to get both parents and schools on board (although it was acknowledged that the five special schools in Lambeth appear more cautious than the borough itself about the number of young people that can be successfully trained to travel independently). The main issue has been parents concerned about the safety of their children travelling independently.

One issue noted by Lambeth was some optimistic expectations of other parties to the SIB as to how quickly a contract could be put in place. In their view, there was not always enough appreciation that some decisions – especially when they involve letting an unfamiliar outcomes-based contract backed by social investment – inevitably take some time in a public-sector and local government context.

“People kept asking us why it was all taking so long – they need to understand that this is local government. We have statutory duties and financial responsibilities that we need to comply with.

Katy Briggs, Lead Commissioner for Children’s Services, LB Lambeth



The Lambeth commissioner did however think that the process of agreeing the contract took longer than it needed to, and that this was in part because of the length and complexity of the contract proposed – based on the template contract developed by the Centre for SIBs within the Office for Civil Society (OCS). This was also a concern of Norfolk (see below) and we comment further on this in section 4.3

Norfolk County Council

There are some similarities between Lambeth and Norfolk in that both were engaged by HCT early in the process, and both were attracted by the financial case for the SIB and the savings it would potentially achieve, as well as by the benefits to young people with SEND. In addition, both LAs had experience of travel training and Norfolk already have in place an in-house travel training programme (known as TITAN or Travel Independence Training Across the Nation⁵), however this is a different type of intervention and is aimed at a different cohort of older children.



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



Niki Park, Commissioning and Client Services Manager,
Travel and Transport, Norfolk County Council

However, Norfolk also saw other benefits of the SIB, notably the longer-term impact of improving the independence of young people once they leave school, and in reducing the demand for taxis in an area where there are simply not enough taxis available at peak times. The travel training contract therefore has the potential to free up taxis, making them available for children with greater needs for whom public transport is not appropriate, and enable better allocation of capacity, although this will not of course generate cashable savings.

Amongst other challenges, it is interesting to note that the Norfolk commissioner also found it time-consuming to conclude a contract because the proposed contract (based on the OCS Centre for SIBs template) was longer and more detailed than they thought it needed to be – which meant that it took longer to agree terms than it might have done.

Norfolk did however face a number of additional challenges to those faced by Lambeth, the main effect of which was to further delay contract implementation.

These included:

- **Stakeholder engagement.** There were challenges in getting stakeholders on board and committed to the SIB approach. In the first instance, the SIB had been pitched by HCT to the Integrated Transport Unit who then had to bring in their Children's Services colleagues. This was not especially challenging but took time because of the processes that had to be followed. Of greater impact on the SIB were the issues Norfolk ran into when they engaged their special schools in the development process. This was in large part because the special schools had been involved in the development of Norfolk's existing TITAN scheme (see above) and were very supportive of it. There was therefore some concern about the HCT SIB which was perceived by some as an alternative or replacement to the TITAN scheme. However, this is not the case, since, as explained above, the TITAN scheme is a different intervention aimed at older children, and therefore the TITAN scheme and HCT SIB are complementary, not competing. It took some effort to overcome this perception and, in the Norfolk commissioner's view, it would have been better to position the HCT scheme as something different from and complementary to TITAN from the outset.
- **Developing a robust financial case.** The challenges of identifying whether and to what extent it would be possible to rationalise and reorganise existing transport provision to realise savings are potentially greater in Norfolk because of the relatively sparse public transport infrastructure in this rural county and the need to be certain that routes are available on which young people can travel safely. It remains a concern that future changes in transport provision could impact the ability of the SIB to deliver the benefits expected.
- **Changes in predicted numbers.** In the latter stages of contract agreement, the numbers of children identified as suitable for travel training were recalculated and were fewer than originally expected. This meant that there needed to be further renegotiation of the contract term since, as in Lambeth, the contract with Norfolk includes minimum contract volumes to which the county council is committed.

⁵ See www.norfolk.gov.uk/children-and-families/send-local-offer/education-and-training-0-25/support-services/titan

It is also worth mentioning that Norfolk is aware of potential risks to the success of the contract as it moves into implementation. In particular, there are risks that:

- Volumes may be lower than predicted and needed. The main benefits of the SIB accrue to the Travel Service in Norfolk but they are reliant on Children's Services and (particularly) the schools to identify children suitable for travel training and make referrals. There is risk to the council if referrals are lower than expected both because a minimum referral volume is written into the contract, and because lower-than-forecast referrals would make it less likely that the expected outcomes and consequential savings would be achieved. The council is considering mitigating this risk by building travel training into children's education, health and care plans, especially as they transition from primary to secondary school.
- The expected savings may be lower than expected. The financial case for the SIB shows benefits to Norfolk but these are not entirely secure and will accrue only if the children/young people continue to use public transport, there is suitable public transport available and the existing transport provision can be fully rationalised in line with the modelling that underpins the SIB business case. There are uncertainties around all these issues and the Travel Team expect to be heavily involved in supporting the contract and managing these issues to ensure its success.

3

Key benefits and drawbacks of the SIB approach

This section provides an assessment of the factors that were perceived to be the main advantages and disadvantages of funding the intervention through a SIB, recognising that the SIB is still in its early stages and only two contracts with commissioners have been covered in this review.

3.1 Advantages of the SIB approach

The main advantages of the SIB approach include:

- **Ability to commission at scale.** The most important benefits of using a SIB for this and future contracts are that: it enables each LA to commission at greater scale than would be the case under a conventional contract; the up-front financial commitment from the investor and recycling of money as outcomes are achieved; it enables the commissioner to afford to run the conventional travel provision while the cost-saving intervention is financed to run alongside it to create a virtuous cycle that supports the scaling-up of the travel training intervention and the scaling down of the conventional travel provision. It is arguable that all other benefits are subsidiary to this since they could be achieved by a conventional travel training contract of similar scale if an LA were willing and able to commission one. We have not been able to confirm this with all potential commissioners, but it appears clear that both LB Lambeth and Norfolk CC would not have entered into a contract on this scale without the outcomes-related payment structure that the SIB involves.
- **Direct and significant cashable savings.** Since the training has been commissioned at a reasonable scale, there are potentially significant and direct savings to each commissioner that are expected to accrue quickly – probably within the first year of the contract. In broad terms, HCT estimates a potential £4 of savings for every £1 of investment in the intervention, of which around half can be realised relatively easily (e.g. where a single taxi with a single occupant can be freed up) and the remainder will require more detailed and challenging rationalisation of current specialist provision (e.g. where a contracted vehicle carries multiple passengers or contracts work across vehicles). This scale and relatively easy ‘cashability’ of savings is not always available through SIBs. Many SIBs are predicated on longer-term improvements in value for money and a reduced demand for ‘crisis’ services that enable better deployment of resources but do not directly reduce costs through cashed and recycled savings. The scope for savings in this SIB is potentially a strong incentive for councils whose finances are under extreme pressure.
- **Better scrutiny of current specialist transport provision.** A side benefit of the ground work for the SIB approach is that it has required in-depth scrutiny and analysis of the way each commissioner currently provides specialist transport. This in itself appears to have highlighted further opportunities for improvements in efficiency and effectiveness that are not dependent on the success of this intervention or on the commissioner agreeing to proceed with a SIB contract.

- **Pragmatic use of procurement procedures.** In previous in-depth SIB reviews, we highlighted the issues that some commissioners have faced in reconciling the need for competition and open procurement, with a SIB development process that has involved co-design with a provider that has invested in an innovative intervention.⁶ These issues appear largely to have been resolved in this case by pragmatic use of the procedures available. In the case of LB Lambeth, the commissioner used a prior information notice (PIN) to advertise the contract and invite competition from other possible providers without the need for an expensive and protracted procurement process. Under the PIN approach, a full procurement process will only be needed if another provider expresses interest and believes it can compete with the provider developing the SIB – in this case HCT. Since no other providers expressed interest in this case, Lambeth and HCT were able to proceed to contract negotiations without further competition. In Norfolk's case, a voluntary ex-post ante transparency (VEAT) notice was used. The VEAT process also avoids a protracted procurement but, unlike the PIN approach, requires the commissioner to declare that the provider developing the SIB is the only one available. Provided the commissioner is satisfied that the VEAT process is appropriate, therefore, and the notice is not challenged, it enables award of the contract without competition.

3.2 Challenges in developing the SIB

The following challenges were encountered in developing the SIB:

- **Initial and ongoing commissioner engagement and commitment.** HCT engaged a number of commissioners who agreed to work with them in developing the SIB approach. It is interesting to note that both LB Lambeth and Norfolk CC were involved from the start, while others who originally engaged are no longer pursuing the SIB, and new commissioners who were not involved in the SIB's development are now in discussion with HCT. This shows the challenges evident from other SIBs we have reviewed in maintaining commissioner commitment in the face of changing local circumstances and/or changes in key stakeholders and decision makers.
- **Commissioner commitment to in-depth data analysis.** Although the SIB structure and metrics are simple, the process of establishing a firm and robust business case required thorough analysis of LA data on the cohort of young people with SEND, the current provision of specialist travel and its utilisation. This process was led by HCT and there was some concern within the HCT team that the LAs with which they were working were not initially as fully engaged in the process as they could have been. In particular, there was concern that the LAs needed to have full ownership and understanding of the business case assumptions and calculations and the implications of the referral process, including minimum volumes as discussed further below.

The reason why the LAs were not more fully engaged are not entirely clear, but it appears to have largely been because the commissioners were short of capacity and were therefore content to let HCT and their advisers do the work. They were thus misunderstanding (or to some extent ignoring) the implications for them of that work.

- **Involvement and successful engagement of a range of stakeholders.** While the SIB model and structure is straightforward, it is important to note that its development and implementation requires the successful engagement of a range of different stakeholders, including: the young people themselves and their parents or other carers; the relevant LA departments (including those responsible for children with SEND and for travel provision, as well as commissioning and contract staff); and the schools and colleges that the young people are attending. To this extent, therefore, the characterisation of this SIB as relatively 'simple', is misleading.
- **Concern about reputational and other risks.** Commissioners appear to have had concerns about entering into an unfamiliar contract and the risk it presented, despite the fact that the outcomes-based approach minimised the financial risk to them. The true risks are therefore largely reputational and, arguably, imagined rather than real. Corporate reputational concerns appear to be partly a reflection of the unique features of a SIB approach – such as the involvement of an investor – and partly a more widespread concern about image should the contract prove unsuccessful.

⁶ See for example the review under this evaluation of the Reconnections Social Impact Bond, available at www.biglotteryfund.org.uk/~/link.aspx?_id=342D62C69C2F4A5C954A9850C3D81AAA&_z=z

3.3 Perceptions of the disadvantages of a SIB approach

We have identified a number of perceived disadvantages to pursuing this contract through a SIB. However, it should be noted that it is sometimes difficult to disentangle the impact of a SIB approach from the risks and challenges that would also be involved in commissioning travel training at similar scale through a conventional fee-for-service contract.

The perceived disadvantages include:

- **A need for very detailed analysis of current provision.** It seems clear that the SIB has required very detailed analysis of current provision and costs, which some perceived to be an onerous aspect of securing commissioner engagement with the SIB process. However, such analysis has been beneficial both in proving the financial case for travel training and in encouraging wider scrutiny of travel costs and patterns of provision which are valuable regardless of pursuit of the SIB. Also, this insight might not have been possible without the development funding that came with the SIB, via the CBO Fund.
- **Significant challenges in engaging stakeholders.** The challenges of engaging a wide range of stakeholders have been substantial, and some of these have been the result of this being a SIB (due to perceptions about risk, unfamiliarity and concern about investor involvement, etc.). However, it also seems reasonable to suppose that the commissioning LAs and HCT would have faced similar engagement challenges in attempting to implement a conventional contract in the same environment. This seems true of the Norfolk example cited above, where the reluctance of schools to commit to the HCT travel training programme appears to have had little to do with the SIB mechanism or contract terms, but reflects more a concern that the intervention would undermine existing provision through the TITAN scheme.

The main drawback that we have identified that can definitely be attributed to using a SIB approach rather than a conventional contract relates to the use of the OCS standard form of SIB contract; in the view of both the Lambeth and Norfolk commissioners, this contract was longer and more complicated than it needed to be for this particular SIB. They felt it might have been easier and quicker to use the LA's standard terms and conditions for conventional contracts and modify them to suit the requirements of an outcomes-based contract. Paradoxically, and somewhat ironically, therefore, the use of the template SIB contract might have been counterproductive, creating extra effort for the commissioners when the intention of the SIB template contract was the exact opposite. However, we would caution against drawing wider conclusions about the usefulness of the standard SIB template contract in a different context. What is more important to note is that the unique requirements of an outcomes-based contract need to be reflected in its terms. And, on that basis, it could be argued that this tailoring could also be put at risk by the use of a standard in-house LA contract that is designed for conventional fee-for-service contracts which, without modification, would not be fit for purpose for an outcomes-based contract.

It is also worth noting that while BFM recognises that the template SIB contract is not perfect, it is preferable to a conventional service contract. Nonetheless, in view of the HCT experience, BFM is working to develop a simpler and shorter template for more straightforward SIBs that will nevertheless meet the unique needs of an outcomes-based approach.

3.4 Other observations

The following features of this SIB and its development and implementation are also worthy of note.

- **CBO Fund involvement was an important factor in securing commitment.** An interesting aspect of this SIB is that HCT found that the potential for attracting the CBO Fund's support was itself useful in securing commissioner commitment to the SIB development. More than one of the HCT team mentioned that commissioners wanted the SIB to have a 'stamp of approval' from the Cabinet Office⁷ and Big Lottery Fund.
- **Use of the Centre for SIBs contract template.** In other reports from this evaluation, we have noted that a 'template' contract⁸ that can be used as a starting point in developing a SIB contract has been developed by the Centre for SIBs. We are not aware of many SIBs that have used this contract to date and it is therefore of note that it was used in this case – although, as described above, it is not entirely clear whether it was ultimately beneficial to do so (see section 3.2).
- **Inclusion of minimum referral volumes in contracts.** An important feature of the contracts that HCT already has and is proposing to put in place, is that a minimum volume of referrals is guaranteed and underpinned by the relevant contract. While this does not of course guarantee the number of young people who will successfully complete the training, it provides a degree of reassurance to HCT and its investor that contracts will not fail for lack of appropriate referrals. The appropriate minimum level of referral is dependent on, and underpinned by, the detailed analysis that HCT has undertaken with each commissioner. This reinforces the need both for such rigorous analysis and for the relevant commissioner to engage fully with that analysis. Undertaking to guarantee minimum referrals also has contractual risks for the referring commissioners and it means that they need to manage their contract referrals closely, as noted by Norfolk.

⁷ Responsibility for social impact bonds has now passed from the Cabinet Office to the Department for Culture, Media and Sport, but it was the Cabinet Office that had responsibility for SIBs at the time this SIB was in development. What appears to have been important to commissioners was an official endorsement from HM Government.

⁸ See https://data.gov.uk/sib_knowledge_box/sib-template-contract

4

Conclusions and lessons learnt

4.1 Lessons learnt

We would highlight the following key points from the development of this SIB:

1 SIBs can be used in situations involving simple relationships and metrics

While some SIBs have numerous variables and require complex management arrangements (for example, because a number of providers are delivering the interventions), this SIB shows that relatively straightforward contracting models can still play to a SIB approach.

2 SIB design must reflect the needs of the intervention and its stakeholders

The relative simplicity of this SIB does not imply any argument that simplicity should be adopted – regardless of context – to SIB design for its own sake. A simple approach has been possible in this case because of the availability of a strong provider with experience of travel training, and because of a binary outcome and its ability to generate cashable savings. The important lesson here is that SIBs should be as simple or complicated as they need to be, and not driven by any prior assumptions about the management structures (and consequent overheads) that they need.

3 The SIB model provides up-front funding

This enables commissioners to take risks with an intervention that they might otherwise be reluctant to commit to at the scale needed to make it socially impactful and financially viable.

4 In-depth data analysis may always be needed

Even though this SIB was relatively straightforward and involved only a single, binary outcome measure, in-depth analysis of data was still required and was critical to establish the business case for the extent of cashable savings that could be achieved through rationalisation of existing transport provision.

5 Improved, broader well-being outcomes for beneficiaries remain critical

Even though they are not driving outcome payments, the independent measurement of beneficiary well-being, as proposed by HCT, is very important for validating paid outcomes.

6 Commissioner commitment is critical

HCT deliberately engaged with a number of commissioners. It is critical to any SIB whose development is led by a provider that commissioners are fully engaged throughout and understand the implications of being engaged in SIB design. However, even with such engagement, providers need to manage the risk that some commissioners may ultimately not be able to commit to the SIB contract.

7 Stakeholder engagement is always a key issue

While we do not believe that the stakeholder engagement challenges in this case were a direct consequence of this being an outcome-based contract or of social investors being involved, most SIBs involve a range of stakeholders and innovative approaches to service delivery that may challenge existing provision or encounter resistance to change. It therefore remains important in most, if not all, SIBs – especially at the feasibility testing stage – to identify all key stakeholders and to understand and actively manage their interests and expectations.

8 **Complex or innovative contracts always take time to implement**

Similarly, irrespective of whether it involves social investment, a complex and unfamiliar outcomes-based contract will always take time to put in place, since public-sector agencies such as LAs always have to take decisions carefully and in full knowledge of all the potential risks to them, including reputational risks.

9 **Development processes are maturing**

The process of developing this SIB appears to show that all parties involved in developing SIBs are, as would be expected, learning from earlier experiences and building in features that improve the prospects of the SIB being successful. The general commitment to keep the SIB simple and avoid overcomplication is arguably an example of this, as was the avoidance – by enlightened use of available procedures such as PIN and VEAT – of some of the procurement issues that have caused challenges for other SIBs.

10 **Minimum referral volumes are becoming a feature of SIB contracts**

As investors and providers learn from previous contracts (in which under-referral has been a major issue and has jeopardised outcome performance and, ultimately, the viability of the contract for all parties), mechanisms for tying commissioners to providing referrals are being woven into SIB contracts.

4.2 Areas for future investigation

In some ways, this SIB is different to others that we have reviewed previously under this evaluation, and shows how SIBs as a whole are now developing in the UK. While there are many types of SIB and outcomes-based contracts, they appear to be evolving into two broad types.

- **The first type is where the SIB has a relatively clear and easily measurable outcome** achieved by a preventative intervention, and if outcomes are achieved at reasonable scale there will be significant cashable savings, as well as benefits to the recipients in terms of their life chances and long-term well-being. The HCT SIB is a prime example of this type of SIB, as are a number of others whose primary aim is to prevent children becoming looked after or enabling children in residential care to move to less expensive – and more beneficial – foster care or other family-based settings.
- **The second type involves more complex outcomes and interventions**, often with several providers and a number of co-commissioners. The structure of such SIBs and their contracts may necessarily be more complicated, and the financial benefits may be longer-term and/or less easily cashable. The Ways to Wellness and Reconnections SIBs that we have previously reviewed are examples of these, as is the West London Zone SIB which is currently the subject of a separate in-depth review under this evaluation.

However, even when the SIB is of the first type and cashable savings are expected, the up-front investment that financially constrained commissioners need to make in a conventional contract of any scale is daunting, and thus a SIB and outcomes-based approach becomes a potentially attractive solution.

In addition, the challenges to getting the SIB in place remain substantial, even where the case for an outcomes-based approach seems self-evident and the relationships are relatively simple. In particular, the challenges include: an unavoidable need for careful and thorough data analysis; the risk that commissioners will not maintain their commitment in the face of other pressures and conflicting priorities; and the potentially related risk that one or more stakeholders can derail a project that otherwise has strong support, through concerns – real or imagined – about the project and about how it will be perceived, especially if it is not successful.

There is also a risk in a SIB of this type that the focus on a single hard outcome measure will not properly capture the improvements in well-being and long-term independence that are expected to follow for beneficiaries. The HCT SIB does however aim to guard against this by measuring changes in well-being, even though they are not linked to payment.

We will revisit this project in 2019 to explore its progress over the first two years of its delivery. During this next phase, specific areas we will explore include:

- How successful HCT is in securing further contracts with other commissioners – either because it is already in discussion with them or the success of existing contracts attracts further interest
- How successful the commissioner(s) and HCT are in delivering the cashable savings expected, especially where they rely on rationalisation of existing services
- Whether take-up of the intervention matches or exceeds expectations, as stakeholders (notably parents and carers) become more accepting of the intervention
- Whether and to what extent the wider benefits to beneficiaries of the intervention are starting to flow through in practice (recognising that at the next review such results will still be relatively short-term).

About this report

This in-depth review report is the fourth of a series being produced as part of the CBO Fund Evaluation, commissioned by the Big Lottery 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 commissioners (LB Lambeth and Norfolk County Council only), intermediary, provider and investor. Consultations took place immediately before and soon after the agreement of the contract with LB Lambeth at the end of 2016 and early in 2017, and after the agreement of the contract with Norfolk CC in late 2017. The report will be updated in subsequent years to provide an account of the SIB's progress.

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In total, the evaluation will produce in-depth reviews of ten SIBs part-funded through the CBO Fund. More information about the CBO Fund evaluation, including other in-depth reviews, can be found at www.biglotteryfund.org.uk/research/social-investment/publications.

