

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

# Reconnections

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January 2024

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# Foreword

By Samantha Magne, Knowledge and Learning Manager at The National Lottery Community Fund

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You are about to read the probing, summing-up of a key story in the Commissioning Better Outcomes (CBO) Journey. It will give you an eye-opening, in-depth look at a key Social Impact Bond (SIB) within CBO's community of initiatives commissioned by local public services.

A SIB is the art of using social investment to combine de-risking *commissioners* through Payment by Results (PbR), with de-risking or sustaining their contracted delivery providers. The **Reconnections** SIB story reveals some highs and lows of applying the SIB concept - explaining how far its commissioners, providers and investors got, in their own unique context, in making, managing, and demonstrating the difference their intervention aimed to achieve. The story concludes by revealing their journey's legacy. It explains its importance for the broader 'so what?' and 'what next?' picture of outcomes-based approaches to commissioning.

This matters because everyone involved cares about the quest to make pursuit of outcomes the heart of what they do. We all set out with big ambitions; the prize was SIBs would help public and social organisations overcome administrative and financial constraints blocking early action on entrenched social needs. To make that happen, ideas about how bringing public, social and private sectors' interests to the table were required, to get money flowing where it was needed.

You will see it is not easy to pull off. And our top-up offer looks to have distorted the picture of real demand for PbR and capital. There are important lessons to take home, whether you are interested in this social policy area or the evolution of outcomes-oriented approaches to commissioning. As SIBs morph into new outcome mechanisms, be alert to the strengths and weaknesses of their logic.

This story illustrates just one of several ways CBO SIBs attempted to configure their approaches to managing money, relationships and learning for achieving and being accountable for better outcomes. We suggest you pick out successes and cautionary tales at two levels - *the intervention's delivery* and the *SIB mechanism's configuration* - noticing where these intertwine.

There are rich pickings in the report. CBO, as a catalytic co-commissioner paying for results, has taken away key reflections including: -

Policy Takeaways:	Intervention Approach	SIB Structure & Effect
<b>Highlights</b>	<p>Socially Prescribed volunteers supported people aged 50+ yrs to beat loneliness. Staff managed the most complex cases.</p> <p>Local communities and service users determined the activities they engage with, and were free to change them, so had a degree of local ownership of the delivery of the intervention.</p>	<p>Philanthropic investors had a range of risk appetite, reflected in their blended funds' structure: capital &amp; grant from NESTA, capital from MacMillan &amp; grant from Calouste Gulbenkian.</p>
<b>Lowlights</b>	<p>Transport was not factored into a rural loneliness plan.</p> <p>Modelling referral assumptions about levels of loneliness unravelled from the outset, with 3 of 7 VCSE providers leaving by mutual consent.</p> <p>The volume of service users supported fell short of plan. The depth of individual interventions, however, in supporting lower numbers of people, but with much higher levels of need than originally planned, became a strong feature.</p>	<p>The risk-bearing premise of the SIB's PbR design had weaknesses that ultimately compromised both investor risk appetite and its value-case for commissioners.</p> <p>Without a prospect of cashable savings, the PbR case rested on attribution of results to the test-and-learn approach to the Social Prescribing service, but there was no causal counterfactual test for this. This had implications for Investor risk-bearing, which was diluted by renegotiated terms when referral volumes and 'performance' dropped below plan, and when it became clear the SIB was also vulnerable to weak modelling and to the use of UCLA as the only measure linked to outcomes. After these mitigations, investors lost £196K capital (30% of the £650k drawn down, or 23% of the originally planned £850k capital commitment).</p>
<b>Questions</b>	<p>We note that Social Finance were subsequently able to transfer/ sell the intervention IP and worked with its new owners at Independent Age to scale the model in other geographies in Southeast England. What considerations does this transfer, and any other IP cases more generally, raise for public bodies and funders working with prime social enterprises and/or investors, when deploying public funding?</p> <p>And what are the implications when test and learn interventions seek to scale, but are restricted to a set of parties controlling IP? What is the most appropriate way to serve a wider and unrestricted set of contributors and adopters?</p>	<p>Why did commissioners reach for PbR and capital (PbR+Capital = formula for a SIB) thinking it would help to "plug a funding gap"?</p> <p>How did they expect it to perform that function if, in practice (as became evident during the evaluation) they needed a fixed payment regime (not the unpredictability of a conditional regime like PbR) and any savings from the SIB could not actually be cashed to recompense the capital?</p> <p>Was the CBO top-up too strong a draw, confusing or distracting attention away from these confounding aspects of the SIB's PbR+capital use-case?</p>

We recommend you look out too for the evaluation's in-depth reviews of eight other CBO SIB journeys and, the final programme-level report. It will combine important insights about the realities, politics and economics of deciding how to commission for better outcomes and point to 'where next.'

We are sharing these reports on The National Lottery Community Fund's [social investment page](#). They are also available on the Government Outcomes Lab (GO Lab) website – sign up there for updates!

# 1.0 Executive Summary

Project focus and stakeholders		Project achievements		
<b>Commissioner(s):</b>	Worcestershire County Council (lead commissioner) and three Clinical Commissioning Groups (Redditch & Bromsgrove, South Worcestershire, and Wyre Forest).	<b>Service users supported</b>  Plan <sup>1</sup> <span style="color: blue;">■</span> Actual <sup>2</sup> <span style="color: red;">■</span>		
<b>Service provider(s):</b>	Age UK, Onside Advocacy, Simply Limitless, Worcester Community Trust.	 Plan <span style="color: blue;">■</span> Actual <span style="color: red;">■</span>		
<b>Intermediary or Investment Fund Manager</b>	Social Finance (Intermediary)	Outcome 1: Average UCLA points reduced by between 0.83 and 0.55 points at 6 months		
<b>Investor(s):</b>	Nesta, Care and Wellbeing Fund, Age UK	 Plan <span style="color: blue;">■</span> Actual <span style="color: red;">■</span>		
<b>Intervention:</b>	One-to-one tailored support from a case worker and/or volunteer, and support to (re)connect with activities in the local community	Outcome 2: Average UCLA points reduced by between 0.83 and 0.55 points at 18 months		
<b>Target cohort:</b>	Adults over 50 in Worcestershire experiencing loneliness and social isolation	<b>Payments and Investment</b>	<b>Plan</b>	<b>Actual</b>
<b>Period of delivery:</b>	2015 – 2021 <sup>3</sup>	Outcome payments	£1,744k	£1,261k
		Investment committed	£825k	£650k
		Investment return	£200k	-£196k
		Internal Rate of Return <sup>4</sup>	8%	0%
		Money Multiple <sup>5</sup>	1.24	0.7

1 'Planned' means the amounts included in the CBO grant award. These are based on the 'median' scenario contained in the CBO application form (sometimes also referred to as the 'base case') i.e. the level of achievement that was thought likely to be achieved.

2 Actual means figures achieved at the end of the project, as reported in the CBO End of Grant report

3 The sustainment of outcomes were checked by Independent Age, and paid for by the commissioners, up to August 2021.

4 IRR is essentially a way of converting the total returns on an investment (for example profits made by a business, or in this case total outcome payments) into a percentage rate, calculated over the length of the investment and varying according to cash flow – i.e. how quickly and soon payments are made. IRR calculations are complicated, but in simple terms the earlier you get the money back the higher the IRR, because IRR takes account of the 'cost of money'. For more information see: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/957374/A\\_study\\_into\\_the\\_challenges\\_and\\_benefits\\_of\\_the\\_SIB\\_commissioning\\_process\\_Final\\_Report\\_V2.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/957374/A_study_into_the_challenges_and_benefits_of_the_SIB_commissioning_process_Final_Report_V2.pdf)

5 Money Multiple (MM) is another way of measuring returns. It is simpler than IRR and expresses the total returns as a simple multiple of the amount initially invested. Unlike IRR, MoM does not vary according to when payments are received For more information on both IRR and MM see: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/957374/A\\_study\\_into\\_the\\_challenges\\_and\\_benefits\\_of\\_the\\_SIB\\_commissioning\\_process\\_Final\\_Report\\_V2.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/957374/A_study_into_the_challenges_and_benefits_of_the_SIB_commissioning_process_Final_Report_V2.pdf)

## 1.1 Introduction

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

The aim of the CBO programme is to grow the SIB market and other forms of OBC. It has four objectives:

- Improve the skills and confidence of commissioners with regards to the development of SIBs
- Increased early intervention and prevention is undertaken by service providers, including voluntary, community and social enterprise (VCSE) organisations, to address deep rooted social issues and help those most in need
- More service providers, including VCSE organisations, can access new forms of finance to reach more people

- Increased learning and an enhanced collective understanding of how to develop and deliver successful SIBs/OBC.

The CBO evaluation is focusing on answering three key questions:

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

This is the third of a series of in-depth reviews exploring the development of the Reconnections SIB over time. The focus of this report is on the project's progress since the second review, how the SIB mechanism has affected delivery and outcomes, and the legacy of the project. It draws on interviews with commissioners, service providers, investors, and The National Lottery Community Fund, alongside data provided by programme partners and the CBO Fund.

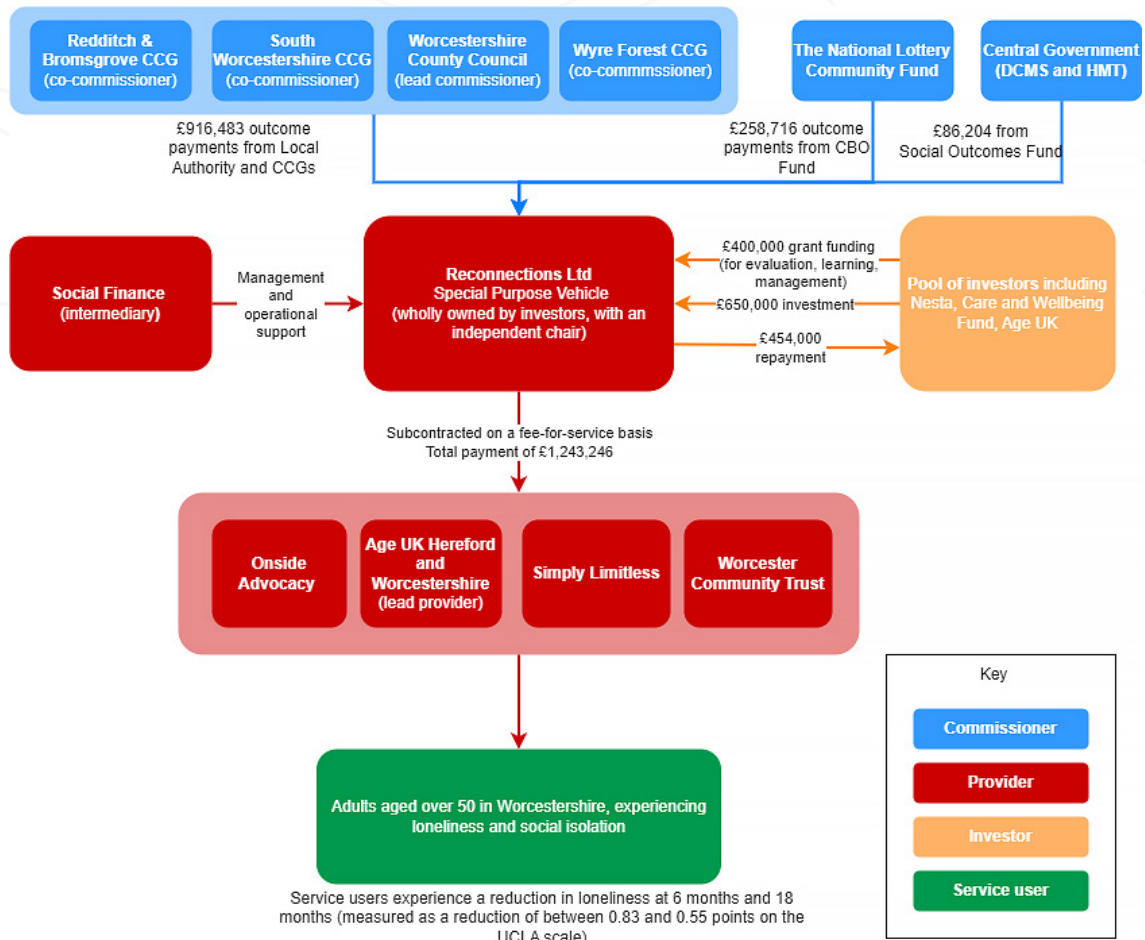
## 1.2 Reconnections overview

The diagram below summarises Reconnections' structure. The service aimed to reach 5,100 people in Worcestershire aged over 50 who were experiencing loneliness and social isolation, by linking them up with a volunteer who would provide one-to-one tailored support, and a plan and support to help them reconnect with their local community. The service was co-commissioned by a partnership of Worcestershire County Council, three local clinical commissioning groups (CCGs), The National Lottery

Community Fund and Central Government (Cabinet Office and then DCMS). The commissioners paid Reconnections (made up of four providers and managed by Social Finance) for a reduction in loneliness on the R-UCLA four-item loneliness scale<sup>6</sup>, at two time points: from baseline to six months post-assessment, and from baseline to 18 months post-assessment. A pool of investors provided the upfront investment capital for the service to be delivered.

<sup>6</sup> The UCLA tool is an evidence-based tool for assessing subjective feelings of loneliness. Scores range from 4 points (indicating someone is 'not lonely', to 12, which means that someone is 'totally isolated').

Figure 1: Reconnections' structure and operational and financial flows



Source: CBO data. Financial figures (e.g. outcome payments and investment amounts) are 'actual' figures rather than the projected figures.

### 1.3 What has happened in practice

Since the second in-depth review, stakeholders interviewed **did not report any key operational changes** to the project, up to the end of service delivery in March 2020. However, as outcomes achievements were still being monitored for up to 18 months after March 2020, Age UK continued with some delivery. As the ending of Reconnections coincided with the social and physical distancing restrictions implemented by the UK Government in response to COVID-19, Age UK had to modify its delivery to provide telephone calls, and support individuals to develop their own self-help groups.

There were also **some contractual changes**, during this time. From April 2020 to March 2021,

Reconnections moved from an outcomes-based payment model to an output-based payment model due to COVID-19. CBO Fund accepted fee-for-service as a temporary equivalence to outcomes payments, and commissioners paid Reconnections on a quarterly basis, based on loneliness scores captured at six months and 18 months. CBO outcomes were paid on a proxy output basis based on service user volumes during this period.

In terms of the project performance:

- **People supported:** Overall, 2,839 people were referred into Reconnections from about 150 agencies. Of these referred, 1,571 people



went on to be supported. This was much lower than the original target (of 5,100 people). Stakeholders agreed that reaching the target engagement numbers was very challenging; and mainly due to service users being referred in having a higher level of complex needs that originally expected, meaning they needed more one-to-one support (and thus limiting the service's ability to support more people).

- **Outcome performance:** as the total number of people supported was lower than original targets, Reconnections' performance against original outcomes targets was also lower than planned. However, when factoring the number of service users reached, positive outcomes were achieved for a higher proportion of service users than originally planned. Outcomes were reported for 75% of service users (1,134 out of 1,571 supported), compared with original targets of outcomes being achieved for 42% of the service users.
- **Commissioner payments:** Reflecting the lower-than-expected number of service users

engaged in Reconnections – and subsequent number of service users achieving outcomes – the total outcome payments made to Reconnections by the commissioners was lower than planned, with commissioners paying £1,261,403 (72%) of the planned £1,744,094 at contract award. CBO Fund paid £258,716 out of a planned £261,614 at median scenario.

- **Investor returns:** Overall, investors made a loss on the Reconnections project. At the high scenario, expected investment returns were £570,000; at median, £200,000, and at low scenario, £0. In terms of return on investment, Reconnections performed below the low scenario, and overall, investors had a loss of £196,000 (a money multiple of 0.7 compared to the plan at median scenario of 1.24).
- **Savings:** the commissioners did not report on any avoided costs or cashable savings observed from Reconnections (although they did not plan to repay the service from savings in the original business case).

## 1.4 Successes, challenges and impacts of the SIB mechanism

As part of the research, we asked stakeholders to compare their experiences of a SIB with experiences of working with similar non-SIB services. A number of successes and challenges were reported.

The main successes included:

- The **SIB provided Reconnections with the flexibility to change and innovate with delivery**, and the investment could be used flexibly to invest in changes to the service. One delivery provider noted that they would not have had this flexibility in fee-for-service contracts, where they would be paid for a specific set of services being provided.
- The **SIB encouraged an environment of better performance management and use of data**. Stakeholders reflected that throughout Reconnections, there was a strong focus on

the emerging data and insights, regular review meetings to 'course correct' if needed, and scrutiny from the independent board and investors. While some stakeholders noted that all contracts they had been involved in had some level of performance management, working within a SIB (with the additional scrutiny from impact investors) forced a constant focus on the data and measures to ensure that outcomes were achieved for as many of the engaged people as the service could manage to deliver to.

- The SIB enabled a **wider outcomes-focused culture** among service providers, and inspired some behaviour change within the organisations. For example, one service provider representative highlighted how they started measuring outcomes in their wider work, to help demonstrate their impact and strengthen bids for other contracts.

- **Greater quality of outcomes and social impact:** Reconnections was able to use the investment flexibly to overhaul the delivery and management of the project. Stakeholders generally perceived that this supported a greater average reduction in loneliness compared with the original target.

In terms of the challenges:

- **The business case overestimate performance:** A fundamental issue with the performance of Reconnections against its business case was that it did not engage the intended number of service users, which had subsequent impacts on the number of outcomes achieved, the amount of outcomes payment made, and the financial loss that investors had on the project.
- **Uncertainty of outcome payment obligations:** a representative from the commissioners highlighted that there was general unease within the commissioning organisations about the levels of uncertainty about when outcome payments would be due and how much they would be. The commissioners tended to like regular payments and know how much they would spend in a financial year, but it was more challenging to understand when the SIB outcomes payments would be due, and for how much.
- **Insufficient to only use a subjective wellbeing outcome measure for an outcomes-based contract:** many of the service provider stakeholders voiced their concerns about the outcome measure linked to payment – a reduction in loneliness on the UCLA scale at six and 18 months post-referral – because it was self-reported. This meant that it could be affected by short-term fluctuations in people’s perceptions of their loneliness and not provide a ‘true’ picture. There were limited other loneliness measures that could be used, however, raising the question of whether payment-by-results is appropriate for a loneliness service, when the intended (paid for) outcome is difficult to measure.
- **Lack of a counterfactual:** There was no counterfactual built into the outcome payment, as the business case assumed that individuals’

loneliness would not improve if they did not receive support. This means there is limited evidence on the overall impact of the SIB on outcomes.

Reconnections’ costs were:

- Total delivery costs (by providers) were slightly less than planned (£1,263,246) compared with £1,287,178 planned). Delivery costs made up 68% of overall costs.
- SIB-related costs were £335,991 (compared with a planned £827,233 at median scenario). Most SIB management costs were higher than planned but the total SIB costs were lower because there were no investment returns for Reconnections to repay (because investors made a loss). SIB costs made up 18% of overall costs.
- Other costs were £200,000, which were spent as planned. Other costs made up 11% of overall costs.

When considering value for money, overall, given the higher-than-planned costs of managing the SIB and the lower-than-anticipated number of service users supported, the Reconnections project was **not good value for money in terms of economy**. In terms of **efficiency**, Reconnections reached fewer service users than intended, but there was strong consensus across stakeholders, alongside evidence from the Independent Evaluation highlighting the (on average) high loneliness scores at referral, that service users had a higher level of complex needs than expected.

Based on the evidence available, we conclude it **was better value for money in terms of effectiveness and equity**. For those service users that were supported, Reconnections facilitated positive outcomes, at both a larger scale and magnitude than expected. Those supported were also generally the intended target group; this was facilitated by having robust eligibility criteria and referral mechanisms. There were also wider spillover effects for the delivery provider organisations (e.g. increased capacity and ability to deliver services).

## 1.5 Legacy and sustainability

The Reconnections SIB delivery came to an end in March 2020, with no referrals after this, though 246 further outcomes assessments were completed up to August 2021. Several things happened relating to the Reconnections model:

- Using the learning generated from Reconnections, particularly in terms of the successful model of recruiting, engaging, training and supporting volunteers, Worcestershire County Council and the CCGs decided to **co-commission a new loneliness service**, expanding its remit to support all adults aged over 18. The service, called 'People Like Us' (PLUS) started in March 2020, and used a similar model of delivery to Reconnections. Three of the Reconnections service providers were successful in becoming the delivery partner for this service.
- In 2018, while the Reconnections SIB was still in its delivery phase, a UK-based charity called Independent Age initiated some conversations with the Reconnections management team, to explore how the Reconnections model could be tested and developed elsewhere. Keen to **replicate the model, Independent Age bought the intellectual property off Reconnections and in 2020-21 launched two new pilots:** in Barking and Dagenham and in Guildford and Waverley.
- Programme monitoring reports and stakeholder consultations also highlighted that Social Finance shared the learning from Reconnections to help **inform the development of another loneliness SIB in Israel**. The SIB launched in 2021 and was the first SIB to use investment raised through crowdfunding.

## 1.6 Conclusions

Overall, the use of a SIB for Reconnections was a success, because ultimately it did what SIBs are supposed to do:

- The SIB also de-risked the project for those providers that remained with the project for its lifetime, because investors took on the financial risk and let the providers get on with delivery (paying them on a fee-for-service basis).
- Even though there were substantial issues with the business case modelling (meaning that service user numbers were much lower, and the complexity of service users' needs was much higher than expected), the financial risk was absorbed by investors and the project was still able to continue.
- With payment being tied to outcomes, and the risk being carried by investors, providers were able to collaborate, test different ideas and take risks. This helped improve the service providers' capacity (for those that remained in the project throughout).
- Reconnections generated lots of learning and provided an evidence base that was not there before and has informed the development of other similar programmes.

However, the SIB also had some limitations:

- A consistent theme throughout the Reconnections IDRs relates to concerns with using a subjective measure to underpin the outcome payment. Many stakeholders were concerned that a measure like the UCLA loneliness score did not provide an accurate reflection of someone's overall feelings of loneliness and may be sensitive to daily fluctuations.
- The counterfactual was weak. It was not built into the payment mechanism and there was an assumption that loneliness would not improve on its own, so all outcomes experienced were due to Reconnections. Without the counterfactual it is not possible to assess robustly the extent to which the outcomes can be attributed to Reconnections and it may be possible

that Reconnections commissioners paid for outcomes that would have happened anyway.

- Commissioners were attracted to the SIB because of its 'buy now pay later' ability – that the intervention would generate outcomes and lead to cost savings, which would ultimately justify the costs of the project. However, the independent evaluation found that the intervention did not produce any cost savings. Perhaps linked to this, commissioners struggled to plan for outcome payments because they did not know how much they would be.
- Value for Money is difficult to assess because although the total number of service users was much lower than expected, service users tended to have more complex needs, meaning that providers spent more time with individuals. Costs of managing the SIB were much higher than forecasted for and the original tendering process, whilst an open competition, only had one bid. However, outcomes were achieved for the service users supported, and many of those accessing the service were experiencing high levels of loneliness at referral, indicating there was equitable access.
- The COVID-19 response was limited by new referrals coming to an end in 2019, and the project not wanting to extend this deadline due to difficulties reaching a cohort of whom many were clinically vulnerable. A SIB mechanism can be useful in crisis situations, as other CBO SIBs were able to use investment to adapt their delivery to respond to emerging needs during COVID, but this is only possible if the business case for doing so stacks up (i.e. that all parties feel confident that the outcomes can be reached).
- Reconnections highlighted the limitations to SIBs' flexibility; as investors were making a loss on Reconnections at the point of COVID-19 social and physical restrictions coming into play, the service required the outcome funders to take on some of the risk and pay based on outputs rather than outcomes, to ensure that the service would continue.

In terms of the CBO's intended objectives, based on the evidence available for this IDR, it appears that Reconnections did contribute to the CBO's objectives, either fully (in terms of supporting more early prevention provision to be delivered, enabled more service providers to access new forms of finance, and providing increased learning on how to develop and deliver successful SIBs) or partly (in terms of improving the skills and confidence of commissioners with regards to SIB development).

The key lessons learned for other projects are:

- A test-and-learn SIB could be an appropriate option for philanthropic organisations wanting to trial social investment (as opposed to grant funding) because they may have a higher risk appetite than other investor types.
- The development grant, and top-up provided by CBO, was a key motivator for commissioners to opt for the SIB model. This has important implications for the future development of SIBs, in that commissioners need to be satisfied with level of resource needed to develop a SIB, alongside how much they may need to pay in outcomes.
- Cashable savings may not be realised as planned and developing a business case to use a SIB to 'plug a funding gap' (i.e. paying for outcomes from the savings made from not needing to pay for acute services) needs to be done with caution.
- Using only a subjective measure for evidencing the outcome tied to payment is risky and all stakeholders involved need to be comfortable with its use from the outset.

## 2.0 Introduction

This review forms part of the evaluation of the Commissioning Better Outcomes (CBO) programme and is the final review of the Reconnections project.

Previous reviews of this project, and other reports from the CBO evaluation, can be found [here](#).

### 2.1 The Commissioning Better Outcomes (CBO) programme

The CBO programme is funded by The National Lottery Community Fund and has a mission to support the development of more social impact bonds (SIBs) and other outcome-based commissioning (OBC)<sup>7</sup> models in England. The Programme launched in 2013 and closed to new applications in 2016, although it will continue to operate until 2024. It originally made up to £40m available to pay for a proportion of outcomes payments for SIBs and similar OBC models in complex policy areas. It also funded support to develop robust OBC proposals and applications to the programme. The project that is the subject of this review, Reconnections, was part-funded by the CBO programme.

The aim of the CBO programme is to grow the SIB market and other forms of OBC. It has four objectives:

- Improve the skills and confidence of commissioners with regards to the development of SIBs
- Increased early intervention and prevention is undertaken by service providers, including voluntary, community and social enterprise (VCSE) organisations, to address deep rooted social issues and help those most in need

- More service providers, including VCSE organisations, can access new forms of finance to reach more people
- Increased learning and an enhanced collective understanding of how to develop and deliver successful SIBs/OBC.

The CBO evaluation is focusing on answering three key questions:

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

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

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

The Government Outcomes Lab (GO Lab) defines impact bonds, including SIBs, as follows:

<sup>7</sup> Outcomes-based commissioning describes a way to deliver services where all or part of the payment is contingent on achieving specified outcomes. The nature of the payment mechanism in an outcome-based contract can vary, and many schemes include a proportion of upfront payment that is not contingent on the achievement of a specified outcome.

“Impact bonds are outcome-based contracts that incorporate the use of private funding from investors to cover the upfront capital required for a provider to set up and deliver a service. The service is set out to achieve measurable outcomes established by the commissioning authority (or outcome payer) and the investor is repaid only if these outcomes are achieved. Impact bonds encompass both social impact bonds and development impact bonds.”<sup>8</sup>

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

– or Payment by Results (PbR)<sup>9</sup>, capital from social investors, and approach to performance management, and the extent to which each component is directly related to, or acting as a catalyst for, the observations we are making about the project.

## 2.3 The in-depth reviews

A key element of the CBO evaluation is our nine in-depth reviews, with Reconnections featuring as one of the reviews. The purpose of the in-depth reviews is to follow the longitudinal development of a sample of projects funded by the CBO programme, conducting a review of the project up to three times during the project’s lifecycle. This is the final review of Reconnections. The [first in-depth review report](#) focused on the development and set-up of the project. The [second in-depth review report](#) focused on implementation of the project mid-way through the contract.

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

- The progress the project had made since the second visit, including progress against referral targets and outcome payments, and whether any changes had been made to delivery or the structure of the project, and why
- How the SIB mechanism and its constituent parts of PbR, investment capital and approach to performance management, impacted, either positively or negatively, on service delivery,

the relationships between stakeholders, outcomes, and the service users’ experiences

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

The second in-depth review of Reconnections identified the following areas to investigate further in the final review:

- Whether the project has saved organisations any money in the near-term i.e. has a reduction in loneliness meant that service users are now not using other services which would otherwise be paid for by public services
- What the different management costs of Reconnections have been (and how they have been covered), and how the value for money of this can be judged (including how this compares to the perceived value of the

<sup>8</sup> See: <https://golab.bsg.ox.ac.uk/knowledge-bank/glossary/#i>

<sup>9</sup> Payment by Results is the practice of paying providers for delivering public services based wholly or partly on the results that are achieved

outcomes it has delivered through its life, how it stacks up against delivery costs and whether the final performance management cost delivered suitably strong management of performance)

- An assessment of the final repayments and returns to investors linked to Reconnections.
- The impact of COVID-19 on the project's ability to achieve its outcomes.
- The view of commissioners around what they feel is acceptable in terms of evidence of outcomes (and impacts) generated, whether they perceive understanding the counterfactual is vital or a 'nice to have' (and if so, why), and whether they perceive the project (and SIB mechanism) to have been good value for money.
- Any evidence on the counterfactual from the independent evaluation, looking at the results, costs, effectiveness and efficiency of Reconnections compared to a non-SIB focussed on reducing loneliness, including effectiveness and efficiency of referrals by the project to other service delivery providers and initiatives.
- How far delivery providers have actually changed their processes (or changed behaviour) as a result of being involved in the project.

- Stakeholders' reflections on the project now that it is coming to a close and overall lessons learned.
- Further review of the strength of the measurement scales.
- Review of financial and reputational risk split between stakeholders.
- Reflections of all stakeholders including the CBO team.

For this final review, the evaluation team:

- undertook semi-structured interviews with representatives from all the main parties to the project, including Worcestershire Country Council, Social Finance, Age UK Hereford and Worcestershire, Onside Advocacy, Simply Limitless, Worcester Community Trust, Nesta, Independent Age and The National Lottery Community Fund. These were conducted between July 2020 and February 2021;
- reviewed performance data and monitoring information supplied by the project stakeholders to The National Lottery Community Fund; and
- reviewed key documents supplied by project stakeholders.

## 2.4 Report structure

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The remainder of the report is structured as follows:

- Section 3 provides an overview of how the project works, including the SIB mechanism
- Section 4 describes major developments and changes in the project since its launch, including the performance of the project against its planned metrics, and stakeholder experiences
- Section 5 discusses the successes, challenges and impacts brought about by the SIB mechanism, including an assessment of the Value for Money of the SIB mechanism
- Section 6 describes the sustainment and legacy of the project
- Section 7 draws conclusions from this review.

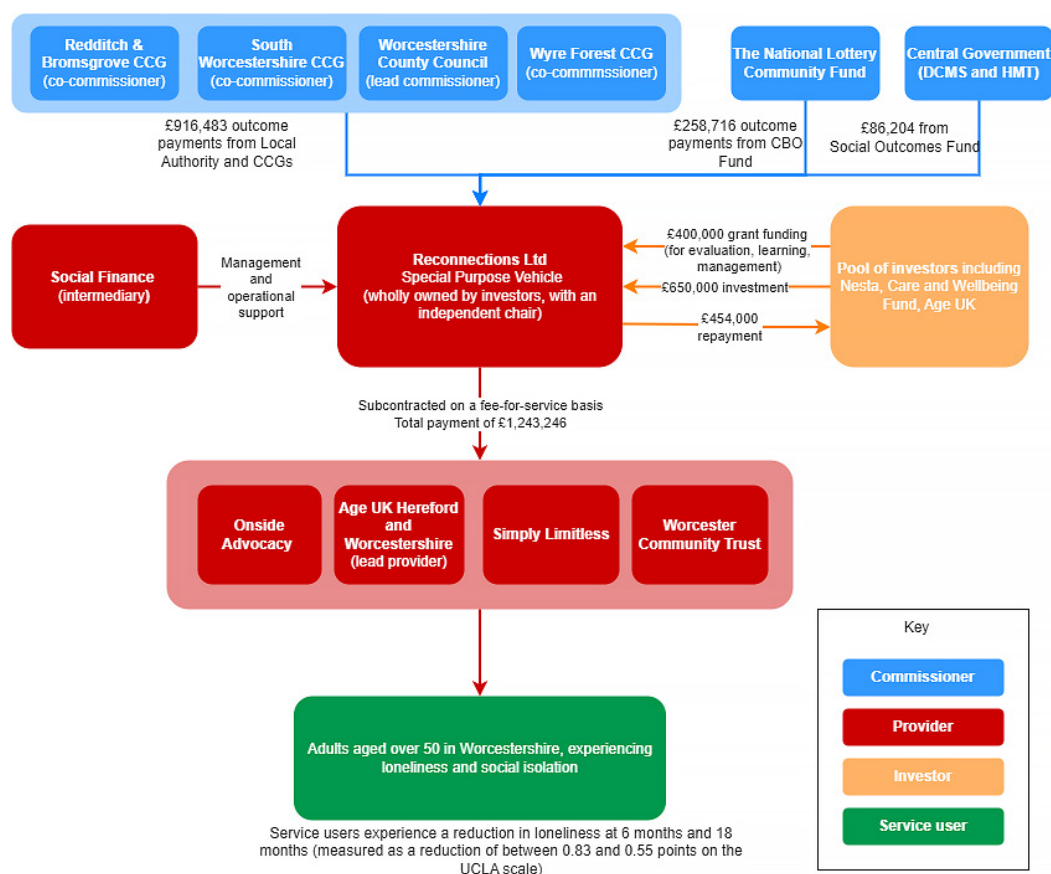
# 3.0 Reconnections overview

Delivered to service users referred to the project from 2015 to 2020, with outcomes payable to end of August 2021, Reconnections aimed to reach 5,100 people in Worcestershire aged over 50 who were experiencing loneliness and social isolation, by linking them up with a volunteer who would provide one-to-one tailored support, and a plan and support to help them reconnect with their local community. The service was co-commissioned by a partnership of Worcestershire County Council, three local clinical

commissioning groups (CCGs), the predecessors of the current Integrated Care Board across Worcestershire. The National Lottery Community Fund and Central Government (Cabinet Office and then DCMS). The commissioners paid Reconnections for a reduction in loneliness on the R-UCLA four-item loneliness scale<sup>10</sup> by 0.83 and 0.55 points (up to February 2018) and between 1.02 and 1.4 points (from March 2018 onwards)<sup>11</sup>, at two time points: from baseline to six months, and from baseline to 18 months post-assessment.

## 3.1 Set up and key stakeholders

Figure 2: Reconnections’ structure and operational and financial flows



Source: CBO data. Financial figures (e.g. outcome payments and investment amounts) are ‘actual’ figures rather than the projected figures. 12

<sup>10</sup> The UCLA tool is an evidence-based tool for assessing subjective feelings of loneliness. Scores range from 4 points (indicating someone is ‘not lonely’, to 12, which means that someone is ‘totally isolated’).

<sup>11</sup> This was changed when CBO took on co-funding of outcomes payments

<sup>12</sup> See the second in-depth review for more details on how the partnership changed in its first year (with some delivery providers being de-commissioned): <https://www.incommunityfund.org.uk/media/research-documents/social-investment/Reconnections-SIB-In-Depth-Review-Report2.pdf?mtime=20220404131125&focal=none>



Figure 1 provides an overview of Reconnections' structure. The main stakeholders within the Reconnections project included:

- **Commissioners:** Worcestershire County Council, Redditch and Bromsgrove CCG, South Worcestershire CCG and Wyre Forest CCG were the local commissioners, committing the majority of potential outcome payments (£924,370 or 53% of total outcomes payments<sup>13</sup>). Worcestershire County Council was the lead commissioner, and the three CCGs were the co-commissioners. This joint co-commissioning approach was facilitated by the 'Integrated Commissioning Unit' in Worcestershire, which is a unit that brings together local authorities and CCGs in the area to address health problems jointly. The National Lottery Community Fund committed to paying £261,614 (or 15%) of the total outcomes payments, with the Social Outcomes Fund<sup>14</sup> committing £558,110. As shown in Figure 1, in reality, local commissioners paid £916,483 in outcomes payments, The National Lottery Community Fund paid £258,716. The Social Outcomes Fund paid (SOF) much less than anticipated (£86,204) because Reconnections achieved much fewer outcomes than expected early on (in the time window for the SOF to pay outcomes).
- **Intermediary:** Social Finance was the intermediary organisation involved in developing the business case for the project and responsible for providing programme management support throughout Reconnections' duration. As described in the [second in-depth review](#), a Director from Social Finance took on the lead of the project midway through, due to concerns with the project's performance.
- **Service providers:** The service providers were subcontracted on a fee-for-service basis (meaning that they were paid a set amount each month regardless of outcomes achieved). Age UK Hereford and Worcestershire (AUKHW) was the lead provider of the project, which employed a local project manager (who was later supported in their role by the Social Finance Director). As highlighted in the [second in-depth review](#), originally there were seven service providers from the local VCSE sector, but this was reduced to four after Social Finance took over management, with the aim of improving outcomes and ensuring delivery remained aligned with the Reconnections model and ethos. Onside Advocacy, Simply Limitless and Worcester Community Trust were the other service providers who worked directly with service users.<sup>15</sup> Reconnections planned to pay providers £1.1 million at award, although in practice they were paid £1,243,246.
- **Investors:** Nesta (a charity that aims to help people who need support in a variety of ways), the Care and Wellbeing Fund and Age UK were the investors/investment funds for the project. Investor representatives were on the Reconnections board, and took part in strategic decisions linked to the direction and delivery of the project. Initially (see the [second in-depth review](#) for more information), Big Society Capital invested in Reconnections, in order to help it become established, but it transferred its investment stake to the Care and Wellbeing Fund and Age UK in 2015 in order to invest in other propositions. The investors committed up to £850,000 of investment (to generate a maximum return of £600,000) but ended up committing £650,000 (which made a loss, with just £454,000 being repaid).

<sup>13</sup> At median scenario

<sup>14</sup> The Social Outcomes Fund was a fund set up by the Cabinet Office and launched in 2013. Along with the CBO Fund its aim was to support the development of more innovative approaches to improving social outcomes. It could only fund outcomes achieved by 31/3/18.

<sup>15</sup> See page 17 of the second in-depth review for details on how the provider structure changed over time: <https://www.tnlcommunityfund.org.uk/media/research-documents/social-investment/Reconnections-SIB-In-Depth-Review-Report2.pdf?mtime=20220404131125&focal=none>

## 3.2 The intervention model

Reconnections aimed to reach 5,100 people aged over 50 in Worcestershire, who were lonely or socially isolated.<sup>16</sup> To be eligible for Reconnections, upon referral individuals had to score an eight or higher (out of 12) on the R-UCLA four-item loneliness scale. The R-UCLA measure used for Reconnections was scored on a scale of 4 points (meaning someone was considered 'not lonely') to 12 points (suggesting someone was 'totally isolated'). Therefore, a threshold of '8' points or higher would indicate that the individual was experiencing generally high levels of loneliness.

On referral, the service user would work with a caseworker to develop a personal plan about what they wanted to achieve. They would often also then be matched with a volunteer from the area, who would provide emotional and practical support

to help them reach the goals set out in their plan, with the aim of them feeling more confident and independent to become (where possible) more involved with local activities and groups. Volunteers generally provided support for six-to-nine months and were supported in their role by a caseworker and supervised by a volunteer coordinator. In some cases, where service users' needs were complex, the caseworker, rather than a volunteer, would support the service user one-to-one.

This video provides further information on the support provided:

[https://www.youtube.com/channel/UCn\\_c4zmc3V6h92aFIAe-MRQ](https://www.youtube.com/channel/UCn_c4zmc3V6h92aFIAe-MRQ)

## 3.3 History and development

As detailed in the [first in-depth review](#), in 2013, commissioners in Worcestershire were increasingly recognising loneliness and social isolation as a serious social issue that was directly leading to increased health and social care service usage, and the development of health conditions such as depression, anxiety, declining mobility, high blood pressure and increased mortality rates. The business case for Reconnections drew on a cost-benefit analysis into the costs of loneliness<sup>17</sup> – alongside UK and international evaluations of the relationship between loneliness and service use. It suggested that, if Reconnections could reach its intended cohort, after factoring in a dropout from the service over time, a reduction in individuals' loneliness could lead to expected savings over 15 years of around £1.3 million for the CCGs; £840,000 for local authority care; and £950,000 for reduced dependency on services as a result of improved wellbeing. Many of these savings were not treated as 'cashable savings' and were rather 'avoided costs'.<sup>18</sup>

There were several motivations for commissioning Reconnections through a SIB:

- There was a drive from Worcestershire County Council and the NHS to be **more creative and innovative** in financing and delivering services;
- Linked to the point above on avoided costs, the SIB was seen as a good mechanism **to plug the gap in short-term funding** (due to budget cuts), which could lead to savings in the long-term due to reducing the need for high-end or acute services;
- The commissioners liked the idea of being able to **test a new intervention without the financial risk** if it did not work; and
- commissioners were attracted by the **payment-by-results ethos**, and only paying for outcomes once they were achieved.

<sup>16</sup> Reconnections aimed to get referrals from primary care, social care, social landlords, VCSEs, self-referral and other targeted sources.

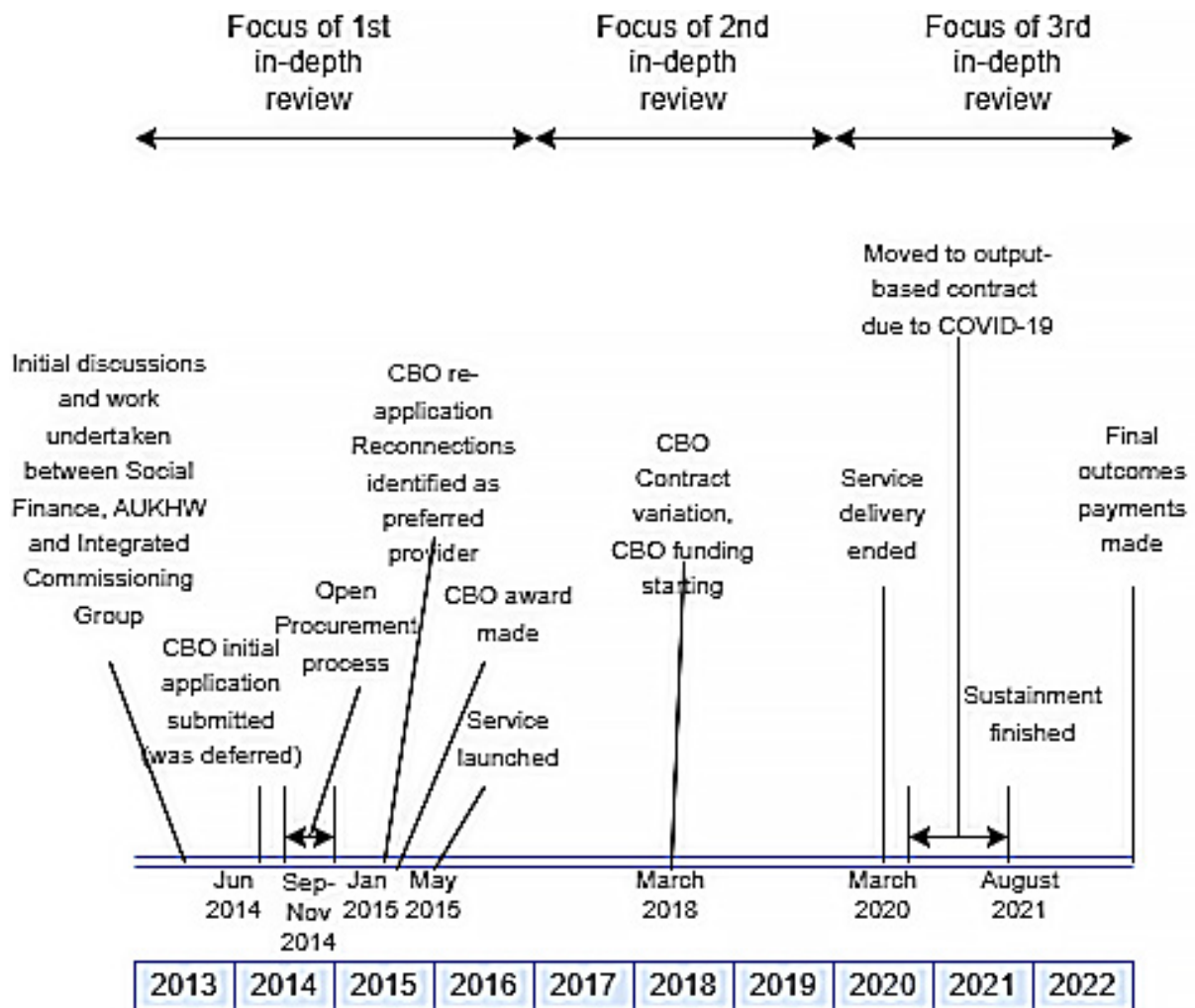
<sup>17</sup> <http://www.socialfinance.org.uk/investing-to-tackle-loneliness-a-discussion-paper/>

<sup>18</sup> As we go on to highlight in section 4.3.4, the commissioners did not record any cashable savings by the end of the project, although this was not intended in the lifetime of the project.

In 2013, Social Finance and AUKHW undertook some work to identify possible health issues in Worcestershire where using a SIB could work and had initial discussions with the Integrated Commissioning Group about the potential options. This work was funded from three sources: a £90,000 grant from the Department of Health, £10,000 from the Development Grant from CBO, and £35,000 in-kind contribution from Worcestershire County Council (see the [first in-depth review](#)). The organisations decided that the loneliness theme was most appropriate because there was very little co-ordinated work being done in this area and there was a lack of existing provision. Worcestershire County Council, as the lead organisation, put in

an initial application to the CBO and SOF Funds in March 2014 (although due to a lack of information, CBO deferred the application and it was re-submitted in April 2015). Between September and November 2014, Worcestershire County Council launched an open procurement procedure for a provider, and in January 2015, identified the Reconnections SPV (in partnership with seven service providers) as the preferred provider. The SIB launched in May 2015 with SOF funding agreed in June 2015. CBO Fund approved the application in October 2015, with funding starting in March 2018. Figure 2 provides an overview of the timeline of design and delivery.

**Figure 3: Reconnections timeline**



## 3.4 Payment mechanism and outcome structure

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This section sets out the details of the Reconnections project's payment mechanism and outcome structure.

### 3.4.1 The payment mechanism

The commissioners paid for two outcomes linked to a reduction in loneliness:

- Outcome metric 1: Average UCLA points reduced by between 0.83 and 0.55 from baseline to six months
- Outcome metric 2: Average UCLA points reduced by between 0.83 and 0.55 from baseline to 18 months

Each individual referred into Reconnections was assessed over the phone or face-to-face, using the UCLA loneliness scale, to ascertain their baseline loneliness score. A team from AUKHW contacted each service user to conduct the assessment again, at six months and 18 months post-referral. Worcestershire County Council was able to conduct spot checks of the assessments, and a university was commissioned to verify the data.

There was no counterfactual built into the outcome payment; rather, the business case assumed that loneliness levels would increase if service users were not receiving any support. They thought there would not be an issue with attributing any change to the Reconnections service because individuals would have likely not been supported by another service focusing on reducing loneliness. Recent research provides evidence to suggest that the assumption that individuals would not experience improvements to their loneliness without any additional support was problematic; the impact evaluation of Ageing Better – an England-wide programme to improve the loneliness and isolation of people aged over 50 – found that participants in the programme were less

likely to be lonely six and 12 months after starting the programme. However, it also found that the same was true of people in the comparison group, who did not take part in any activities, who experienced an unexpected yet similarly large decline in loneliness over the same time periods.<sup>19</sup> This finding suggests that the relationship between participating in activities and loneliness is complex, and that feelings of loneliness can be the culmination of many different factors. Therefore it is very difficult to be confident that improvements in people's social isolation and loneliness can be purely attributed to participating in an activity, and not down to other factors including building more connections with others.

The commissioners paid for the 'reduction in loneliness' points, which was calculated by taking the aggregate baseline loneliness scores of all of the eligible service users who completed a six- or 18-month assessment, and then subtracting their aggregate loneliness scores at the six- or 18-month assessment, respectively. Commissioners calculated outcome payments by multiplying the 'reduction in loneliness' by the set amounts agreed by commissioners and by the CBO Fund.

Outcome payments were capped (meaning that the commissioners would not pay for outcomes over a certain amount)<sup>20</sup>. Table 1 below outlines the target number of service users achieving outcomes, and the associated target outcome payments, at the low, median and high scenarios.

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<sup>19</sup> Campbell-Jack, D., Humphreys, A., Whitley, J., Williams, J., Cox, K. 2021. Ageing Better: Impact Evaluation Report. Available from: <https://www.tnlcommunityfund.org.uk/media/insights/documents/TNLCF-Impact-Evaluation-Report-Final-20.1.22-002.pdf?mtime=20220209144816&focal=none>

<sup>20</sup> The maximum outcome payment amount by the commissioners was redacted from information provided to the research team

**Table 1: Outcomes and outcome payments at low, median and high scenarios**

Primary focal area	Target number of service users achieving outcomes	Target outcome payments (at contract award – 2015) for local commissioners	Target outcome payments (at contract award – 2015) for SOF and CBO (CBO in brackets)
Low scenario	2011	£812,030	£720,102 (£229,820)
Median scenario	2115	£924,370	£819,724 (£261,614)
High scenario	2152	£1,020,000	£1,000,000 (£303,000)

The Reconnections SPV was paid on the basis of achieving the above outcomes.

Table 2 shows the outcomes tariffs paid by local commissioners and the CBO fund at different points of the contract.

**Table 2: Outcomes tariffs**

Outcome	Original tariff (2015-2018)		Revised (4/18-3/20, & 4/21-9/21)		COVID arrangements (4/20-3/21)	
	Local commissioners	CBO (SOF)	Local commissioners	CBO	Local commissioners	CBO price per output
6 month	£391 (£346)	£69 (£114)	£510	£240	N/A	£200
18 month	£204	£36	£160	£80	N/A	£180
Per person supported	£595	£105	£670	£320	£684	£380

As Table 2 shows, from April 2020 to March 2021, in agreement with the CBO Fund and other commissioners, Reconnections temporarily shifted from an outcomes-based payment model to an output-based model due to impacts of COVID-19 (see Section 4.1.1 for more details). The 'output' was counted when AUKHW successfully contacted a service user and completed a UCLA survey (for

payment purposes, the score did not matter). From March 2021 to August 2021 (i.e. the end of the outcome tracking period), payments reverted back to outcomes-based as all parties agreed that the outcomes were feasible to achieve.

### 3.4.2 Investment and financial risk sharing

The investment for the project was provided by a group of investors, such as Nesta and Big Society Capital (which, as highlighted above, later sold its investment stake to the Care and Wellbeing Fund) and Age UK. The investment was drawn down when the service began in 2015. The expected internal rate of return (IRR) was 8% at the median scenario, with a money multiple of 1.24. Investors held the financial risk completely and would not be repaid if the service did not achieve its intended outcomes. Investors also provided £400,000 in grants. Half of this came from Callouste Gulbenkian to fund the independent evaluation, and £200,000 was from Nesta to help fund the SIB management and performance management functions.

Investors had different reasons for investing in the project. As outlined in the [first in-depth review](#),

Nesta's investment fund was focused on supporting projects that aimed to address key challenges faced by older people, children and communities in the UK. The Care and Wellbeing Fund (a fund invested in by Macmillan Cancer Support and Big Society Capital) focused on projects aimed at supporting community health and care. Investors interviewed from this fund were motivated to invest because of the policy area, that it was a preventative and innovative service, and that it had potential to provide key learning for the wider health and care sector. In addition, Macmillan were exploring different ways of spending their money, i.e. trialling use of investment (when typically they provided grants). Age UK National (the investment arm of Age UK) invested in the service with the aim of testing new ways for the organisation to deploy and utilise its resources.

### 3.4.3 Performance management and governance

As outlined in Figure 1, there was a Reconnections Special Purpose Vehicle (SPV)<sup>21</sup>, which had the core functions of holding the SIB contract with the commissioners, managing the financial transactions between investors, providers and commissioners, and overseeing the performance management of the project. It had decision-making powers for the

project, which meant that it could take the decision to remove the underperforming service providers (see the [second in-depth review](#)) midway through the project. The Reconnections SPV's governance structure included a Board, which comprised an independent chair, and representatives from the Care and Wellbeing Fund, Nesta, and Social Finance.

### 3.4.4 Comparing Reconnections with other CBO projects

The CBO evaluation team has developed a framework for analysis to compare the SIB models across the nine in-depth review projects. This draws on the SIB dimensions set out by the Government Outcomes Lab<sup>22</sup>, adding a sixth dimension related to cashable savings. The aim here is to understand how SIB funding mechanisms vary across CBO, and how they have evolved from their original conception. Figure 3 uses this framework to compare Reconnections with the average positioning for the CBO in-depth review projects against this framework (Annex 1

describes the dimensions and the different categories that exist within it). This provides information on the design of the SIB mechanism at the launch of the project. In Section 4.1 we show how the 'shape' of the SIB mechanism changed during project delivery.

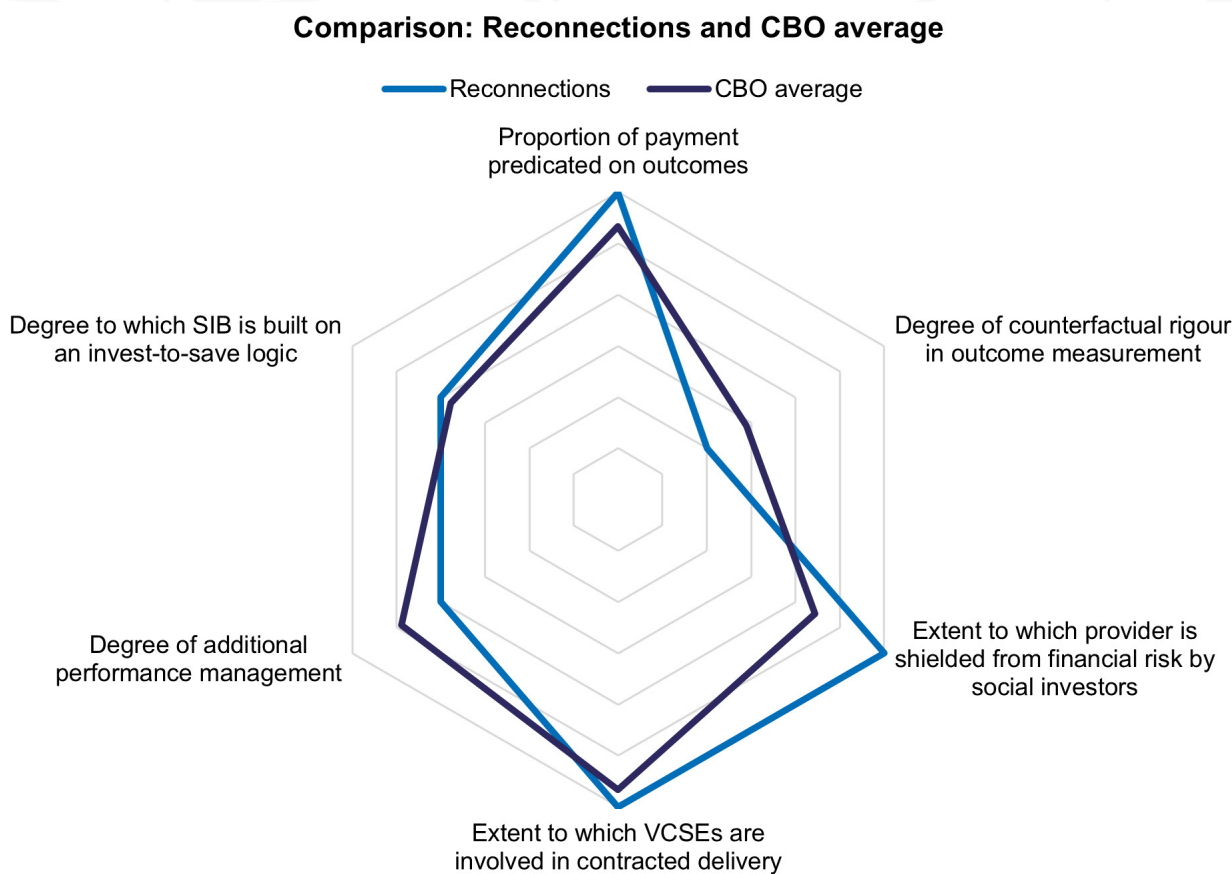
It is important to stress that these are not value judgements – there is no 'optimum' SIB design, but rather different designs to suit different contexts.

For further information on how these categories were formulated, and the rationale behind them, see [here](#).

<sup>21</sup> A Special Purpose Vehicle is a legal entity that is created solely for a particular financial transaction or to fulfil specific objectives and liabilities. The Reconnections SPV was owned originally by NESTA and BSC, but BSC's ownership was transferred to the Care and Wellbeing Fund.


<sup>22</sup> Carter, E., 2020. Debate: Would a Social Impact Bond by any other name smell as sweet? Stretching the model and why it might matter. *Public Money & Management*, 40(3), pp. 183-185. See: <https://www.tandfonline.com/doi/abs/10.1080/09540962.2020.1714288>

Figure 4: SIB dimensions in Reconnections and other CBO in-depth reviews



The positioning of Reconnections against the framework shows that the design of Reconnections broadly follows the 'average' SIB design across the CBO in-depth reviews. Specifically:

- **The PbR model was based 100% on payment for outcomes achieved.** This is typical of the CBO projects that feature as in-depth reviews: two thirds (six out of nine) of the projects have 100% of payments attached only to outcomes. In the remaining three projects (Mental Health Employment Partnership, West London Zone and Be the Change) commissioners also pay for engagements / outputs; this was added into Reconnections as a result of COVID-19 from April 2020 to March 2021 (see Section 4).
- **Validation method:** Although payments were made for all outcomes achieved, there was no impact evaluation to ensure that outcomes were attributed to the intervention. This again is typical of SIB models in CBO.
- **Provider financial risk:** The service providers were protected entirely from the financial risk of outcomes not being achieved, with all such risk being borne by the Reconnections SPV under the agreement between them. This feature exists in the majority (five out of nine) of the in-depth review families, but it is also common for providers to share such risk with the investor (which is the case in the remaining four in-depth review families). Due to the investor carrying a £200K expected loss by 2020, the outcomes payers agreed to cover the financial risk of the providers during 20-21, who were still protected from financial risk.
- **VCSE service delivery:** All the delivery was undertaken by multiple VCSE organisations: Age UK Hereford and Worcestershire, Onside Advocacy, Simply Limitless and Worcester Community Trust. It is typical for delivery to be undertaken by VCSEs in the other CBO in-depth review projects, often with multiple providers involved in each contract.



- **Performance management:** The SIB was designed so that Social Finance was responsible for managing the service performance. This is the most common approach across the nine in-depth review families, with five having performance managed by external organisations; in two others it is being managed internally and in the final two projects there is a mix of external and internal performance management.

- **Degree to which project is built on an 'invest-to-save' logic:** The invest-to-save principle was a key element of this project and the business case was built on expected savings for the local authority and for CCGs. However, savings were not built into the payment model – as in, it was not the case that the savings would cover the costs of the outcome payments. This is common across the CBO in-depth reviews; all but one of the in-depth reviews is built on a strong 'invest-to-save' logic, but in only one third (3) are the savings specifically designed to cover the outcome payments.



# 4.0 What has happened in practice

This section covers the major developments in Reconnections over the lifetime of the project.

## 4.1 Contractual and operational changes

As documented in the [second in-depth review](#), in the first few years of programme delivery, Reconnections experienced substantial difficulties in reaching the target number of service users for the project, as well as difficulties in engaging and retaining volunteers to help them (see Section 4.3.1 for reasons why).

The Reconnections board made the decision in 2016 to bring in an experienced Director from Social Finance to take over the management of Reconnections, and also end the contracts of the underperforming sub-contractors. The new manager focused on the frontline aspects of Reconnections, and became heavily involved in volunteer recruitment and training, stakeholder engagement, service provider development and capacity building, and setting up more robust monitoring systems.

One of the key changes made to the delivery model was with the volunteer recruitment and training model. The newly appointed Director streamlined the model and made volunteer recruitment more efficient. They did this through adjusting the marketing approach for recruiting volunteers (focusing mainly on word-of-mouth and social media), developing an online

registration portal (prior to this, volunteer applicants posted their applications), and enhancing the training for volunteers. Reconnections also established a centralised volunteer support team to provide a single point of support for the majority of volunteers, rather than through the individual service providers.

In terms of contractual changes, in 2016, Reconnections and Worcestershire County Council in consultation with DCMS and The National Lottery Community Fund agreed to adjust the outcome payment terms to reflect the increased complexity of needs of service users, and to lower the threshold for the service, to help increase rates of eligibility. Other changes relating to the outcome measure included increasing the time that Reconnections had to collect loneliness improvement scores (changing from one month to three months) and allowing for Reconnections to record scores by phone call or via written survey (before it was just via phone call).

Since the second in-depth review (i.e. up to the end of 2019), stakeholders interviewed did not report any key operational changes to the project, up to the end of service delivery in March 2020.

### 4.1.1 Changes in response to COVID-19

The UK Government introduced social and physical distancing restrictions in response to COVID-19 in March 2020, which was at the time Reconnections' referrals came to end. At this point, most of the delivery providers' contracts had ended, however from March 2020, Age UK continued delivering a modified service of telephone calls and supporting individuals to develop their own self-help groups and activity.

As outlined in Section 3.4.1, a contractual change related to **moving from an outcomes-based payment model to an output-based payment model** due to COVID-19, for the period April

2020 to March 2021. As shown in Table 2, CBO representatives noted that during COVID-19, the CBO Fund accepted fee-for-service as a temporary equivalence to outcomes payments for commissioners. The commissioners paid Reconnections this on a quarterly basis. During this time local commissioners paid £684 to Reconnections per person supported. CBO paid for loneliness scores captured at 6 months (£200 per person) and at 18 months (£180 per person) on a proxy output basis, capping overall cost per person at £380. CBO Fund funded a higher proportion of the outcomes payments during COVID-19 compared with the

original and revised tariffs (as shown in Table 2). Local commissioners noted that there was a **reduction in outcome scores** as a result of the adverse conditions of the COVID-19 national lockdown. The lockdown stopped large meetings and activities due to social distancing and many in the cohort were deemed as clinically vulnerable and advised not to leave their homes. This likely increased feelings of loneliness and social isolation meaning that UCLA scores may have not changed as expected (in the absence of social and physical distancing restrictions).

As the service providers were well-embedded in their community, even after Reconnections service delivery ended, they often still interacted with service users as part of the emergency COVID-19 response. However, this continued support was funded outside of the Reconnections SIB. Of the four providers, after March 2020, only Age UKHW continued to provide support to Reconnections clients, up to the end of August 2021.

“With Covid, a lot of the things just stopped and that’s not good for the people that we work with. We looked at all the people who were working with throughout and Reconnections and trying to contact them as many times as possible to say, ‘We didn’t want you to be on your own, and therefore initially what we’ll do we will come to your door and deliver food to you.’ So that’s what we started doing. We stopped doing hot food because it was a bit messy but we made contact with people, and I think that worked, it kept people alive if I put it bluntly.”

- Service provider stakeholder

As soon as it was feasible to do so, Reconnections reverted back to outcome-based payments for outcomes achieved from April 2021 to August 2021, as agreed by the local commissioners, Reconnections and The National Lottery Community Fund.

The timing of most of the delivery providers’ contract ending (March 2020), the cohort being supported, and the introduction of COVID-19 restrictions makes it challenging to assess the advantages or disadvantages of the impact bond model during COVID-19. During COVID-19, other CBO projects used their investment drawdown flexibly to adapt their service delivery to be able to continue support and help service users reach outcomes (e.g. the Positive Families Partnership in London moved to online/remote delivery of therapy to young people and families). However, in Reconnections, there were further considerations needed about how the cohort could be supported in practice.

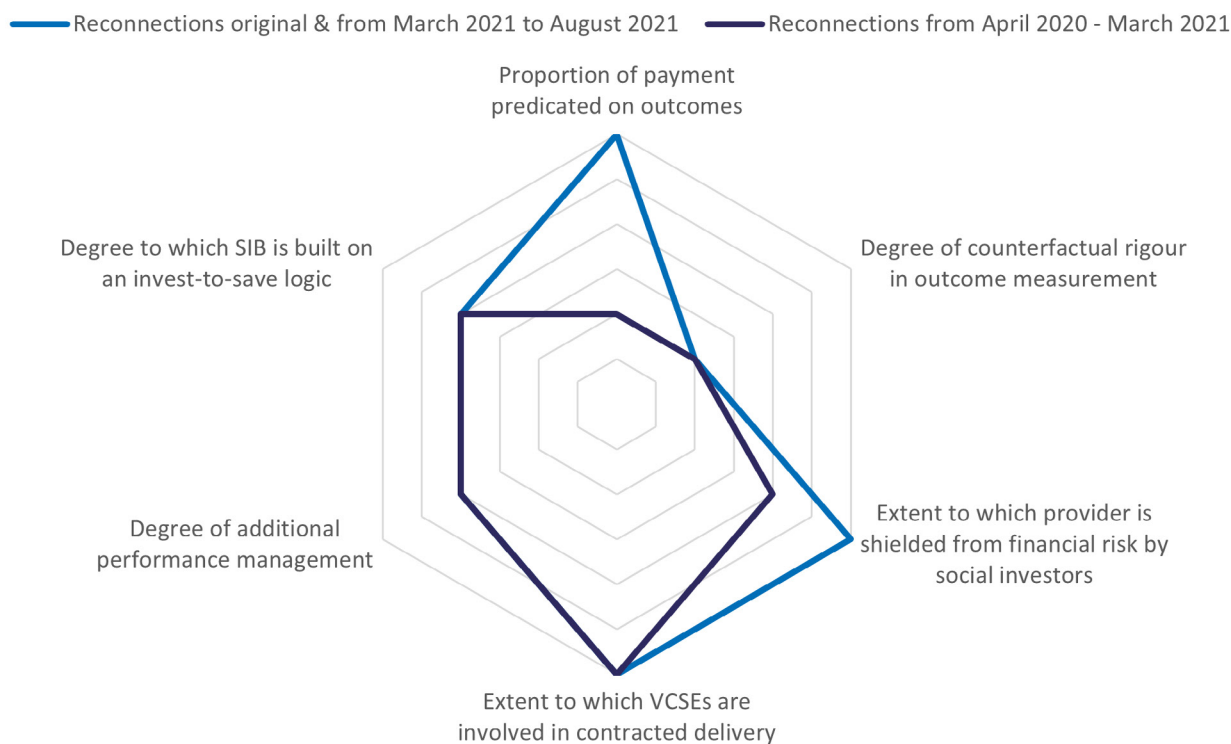
For example, many of the service users were clinically vulnerable, some had moved into care homes because their care needs increased during the pandemic. In addition, as noted above, the service providers whose contract with Reconnection had ended, were already interacting with people as part of their emergency response (funded outside of the project). Reconnections also continued to refer people to the new PLUS service in Worcestershire that started in March 2020 (see Chapter 6).

The implication of these factors is that for six- and 18-month outcomes collected and claimed for by Reconnections from March – August 2021, it is difficult to assess the contribution that Reconnections made, against the adverse impacts of COVID-19, and support provided by service providers outside of the remit/funding of the SIB.

## 4.1.2 How these changes altered the 'shape' of the SIB mechanism

Figure 5: Changes Reconnections' SIB dimensions over time

### Comparison: Reconnections over time



## 4.2 Progress in delivering the intervention

Since the second in-depth review, there were few operational changes to the Reconnections delivery model, and the Reconnections team (including service providers) continued to embed the adjusted model and provide services up to March 2020. Across all stakeholders interviewed, there was strong agreement that bringing the SIB Director in to manage delivery was very important and led to delivery getting much better throughout Reconnections. They did not view this as being a result of the SIB, and instead attributed it to the SIB Director's overall management experience. There was consensus across the stakeholders that the revised volunteer model – with a more streamlined approach and an enhanced training and support offer – worked really well and led to Reconnections developing a strong volunteer base across Worcestershire. Some service provider stakeholders highlighted that a lot of the service delivery was done on a one-to-one basis, despite expectations that more service delivery was

anticipated to happen in the providers' local centres. However, as one stakeholder suggested, this may have been due to the higher complexity of needs that service users experienced, and it took longer than the six-to-nine months to build up people's confidence to go to the centres independently.

Beyond direct service delivery, Reconnections continued to have strong programme management, with regular operational and contractual meetings between the Reconnections project manager and director, as well as regular learning-sharing sessions. This included:

- **Weekly team meetings** with the frontline staff to ensure that Reconnections was meeting the needs of service users and clients;
- **Monthly meetings** with the four service providers, to review the data and any learning. These meetings led to different adjustments to the service over its course, including staffing

structures (e.g. bringing on more dedicated caseworkers), changes to providers, increasing funding (e.g. securing transport to help get service users to service providers' centres), and developing the volunteering offer.

- **Thematic learning workshops**, held on an ad-hoc basis, to consider broader challenges. For example, one workshop had a specific focus on mental health.

While stakeholders were generally positive about Reconnections' progress overall, they did note some challenges that persisted throughout delivery:

- As alluded to earlier, some delivery providers highlighted the challenges of **needing to work within a six-to-nine-month time period**, as it would often take longer to support people to feel confident to leave their homes and access local activities or services independently. The contractual changes in 2016 were made to reflect this challenge, to provide more time for

working with some people. However, stakeholders reflected the challenges working within a certain time period remained during the contract.

- In addition, the original contract stated that outcomes verification would have to happen in a one month window. However, this proved challenging in some cases, in terms of being able to get in contact with people either by phone or by post within the one month period, so the contract was also changed to allow up to three months for the loneliness check relating to the outcomes payment.
- A key issue in Worcestershire – a predominantly rural area with many villages – was **transportation**, and it was difficult for service users to access transportation to and from local activities. This was from both a logistical perspective (i.e. a lack of public transportation options) but also from a financial perspective (i.e. people not having the income to cover regular transportation to activities).

## 4.3 Project performance

This section provides information on how Reconnections performed against its targets, in relation to the number of service users supported, the number of outcomes being achieved, and the return on investment.

### 4.3.1 Volume targets

Data from Social Finance shows that 2,839 people were referred into Reconnections from around 150 agencies.<sup>23</sup> Insights from the interim independent evaluation suggest that referrals into Reconnections came from local GPs, specialist health services, and self-referral through seeing the project advertised in the local paper or through word-of-mouth.<sup>24</sup> Figure 5 shows the number of unique service users that went on to be supported, compared to the planned number in the CBO award, for each year of service delivery. Overall, it shows that the number of service users supported was much lower than anticipated (1,571 or 31% of the target of 5,100<sup>25</sup>). As highlighted in Section 4.1, there

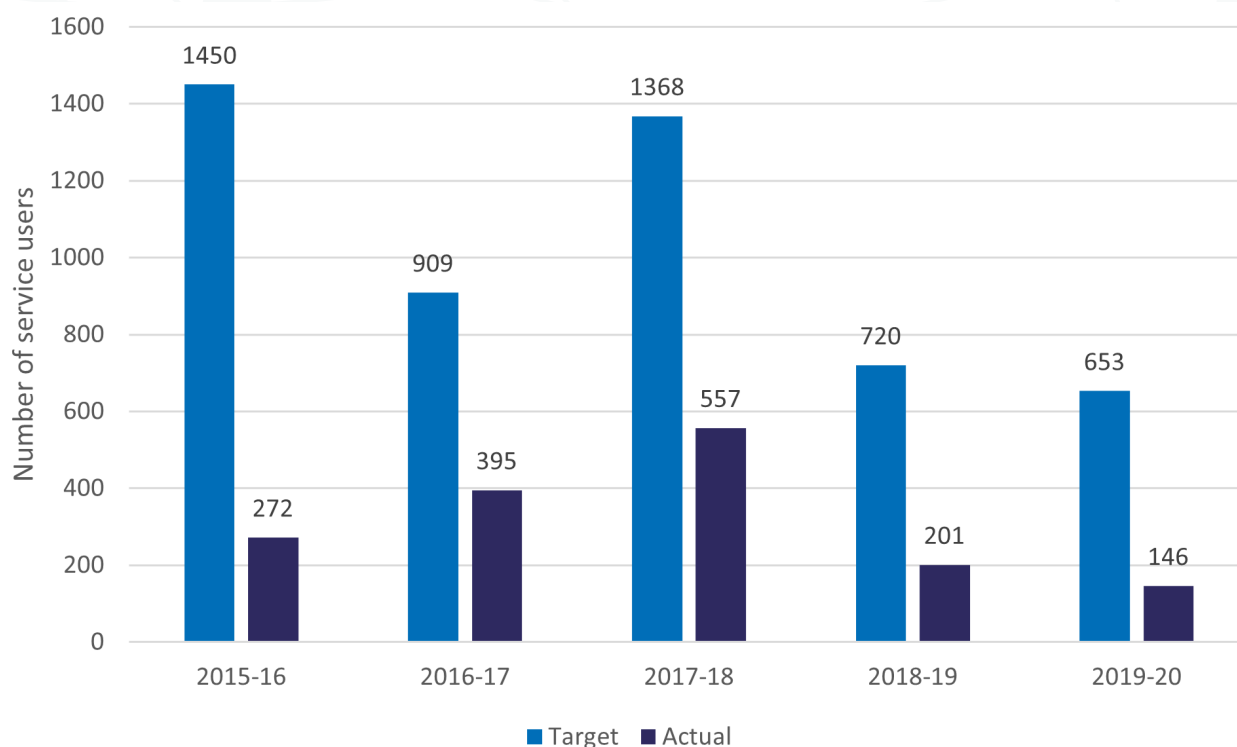
were substantial challenges in reaching and engaging the anticipated number of service users, and overall, Reconnections only achieved 19% of its targets from 2015-16. From 2016 to 2018, in line with the changes made to project management, the project improved its performance somewhat, reaching 43% of its targets in 2016-17, and 41% in 2017-18. This was still, however, substantially under target. Although the target number of unique service users for 2018-2020 were lower than the target numbers for 2015-2017, the actual number of unique service users reached in these years was again lower than anticipated, with Reconnections meeting 28% of its target in 2018-19 and 22% in 2019-20.

<sup>23</sup> Social Finance. 2021. Reconnections: learnings Review of the Pilot Programme to Reduce Loneliness and Isolation from 2015 to 2021

<sup>24</sup> McDauid, D; Para, A-La; Fernandez, J-L. 2016. Reconnections Evaluation Interim Report. Personal Social Services Research Unit, London School of Economics and Political Science.

<sup>25</sup> 5,100 was the target in the low, median and high scenarios.

Figure 6: Volume target performance (unique service users)



Source: CBO Fund data reconciled with Social Finance, 2022

There was broad consensus across the stakeholders interviewed that trying to reach the target engagement numbers had been extremely challenging. The original target numbers outlined in the CBO Fund application were derived from Social Finance's estimates that 10-15% of Worcestershire's population over 50 was 'chronically lonely' and that Reconnections would reach 20-30% of this population. However, as highlighted in the [second in-depth review](#), not meeting these numbers was in part due to the service users being referred in having a higher level of complex needs than originally expected, which meant that they required more one-to-one support, thus limiting the service's ability to support more people.

In addition, there were lower-than-expected referrals into the project and many referrals that did not meet the referral criteria (e.g. the individual did not reach the threshold on the UCLA loneliness assessment,

or their needs were so complex they required intensive statutory support, and could not be supported by Reconnections).<sup>26</sup> Stakeholders also suggested that the measure might be subject to bias in terms of people being reluctant to state how they were feeling – and this is a consideration other projects may face in future and there may be benefit in using other measures (e.g. linked to administrative data) alongside self-reported measures, to inform initial assessments. In addition, one delivery provider highlighted that in 2019-20 they noticed that referrers were reluctant to refer into Reconnections because they knew the service was coming to an end.

As concluded in the [second in-depth review](#), many stakeholders agreed that the business case had over-estimated the expected size and nature of the target cohort, which meant that it was very difficult to achieve the anticipated numbers from the outset.

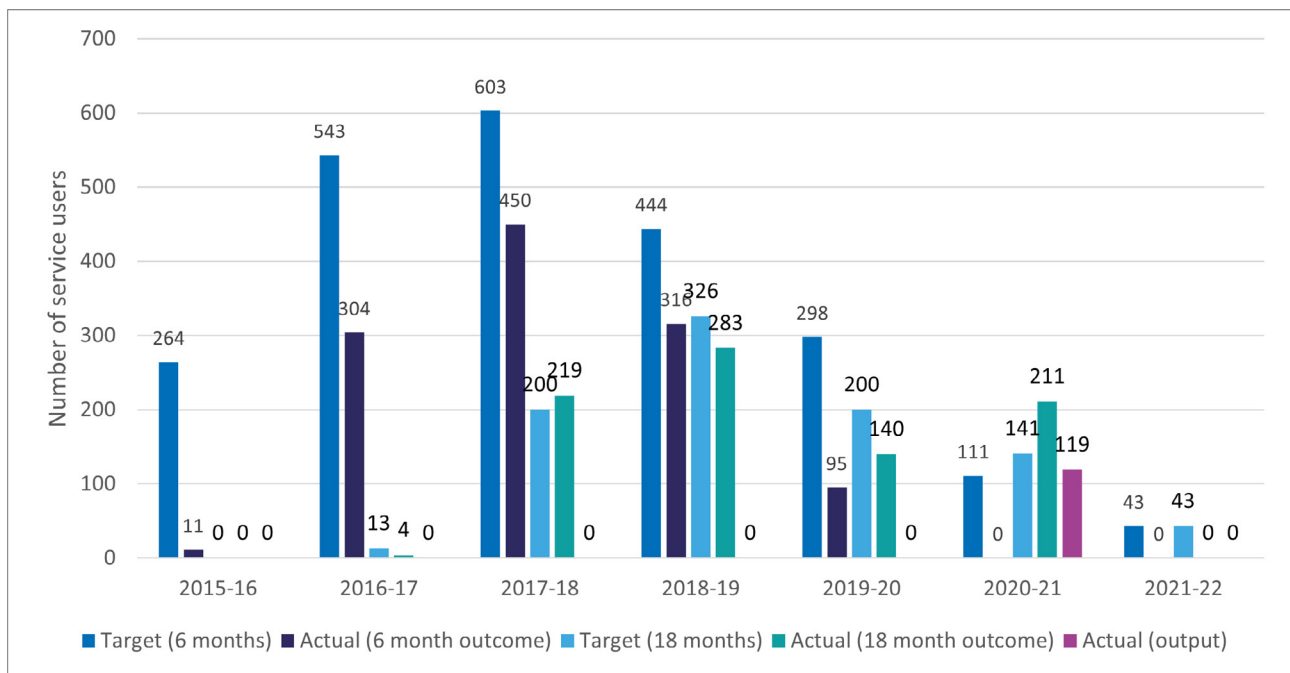
<sup>26</sup> Evaluation of the Social Impact Bond Trailblazers in Health and Social Care – Final Report

### 4.3.2 Outcome performance

Figure 6 shows the number of service users achieving outcomes, against the targets set out in the CBO award, for each year. Overall, it shows that 1,134 service users achieved outcomes out of an original target of 2,152 (or 55% of targets). Reflecting the lower number of engagements in the first year, the number of outcomes for that the first year was very low (4% of target). From 2016 onwards, Reconnections improved on its performance, although it still remained under target throughout the contract. While the overall

outcomes achieved were lower than target, when factoring the number of service users reached, it suggests that, in practice, positive outcomes were achieved for a higher proportion of service users than originally planned. The original outcomes target at the high scenario indicated that outcomes would be achieved for 42% of the target 5,100 service users. In practice, outcomes were reported for 75% of service users (1,134 out of 1,571 supported).

**Figure 7: Outcomes achieved against targets (6 month and 18 month targets)**



**Source:** CBO data. Includes data on the outputs that were paid for from April 2020 to March 2021 in lieu of outcome payments due to COVID-19.

There was consensus across the stakeholders interviewed that Reconnections had supported service users to help reduce their feelings of loneliness and social isolation. In particular, project monitoring reports highlighted that the average

reduction in loneliness from 6 months to 18 months was 1.4 points (compared to the target of 0.55 – 0.83), indicating that people’s subjective view of their loneliness had improved over time, generally more than originally expected.

“It’s had a high social impact. The number of people reaching the scores have been high... Particularly from 2017, there has been a gradual increase in the social impact over time.”

- Investor

Stakeholders from the service providers highlighted that Reconnections achieved positive outcomes because they were able to provide personalised one-to-one support to individuals, tailoring the support around their needs. For example, one project case study highlighted a service user who, at referral, felt very bored all day because he was often alone. He stopped driving, started drinking regularly and

stopped going out and seeing friends. Through Reconnections the service user was matched with a volunteer, who visited on multiple occasions and helped the service user obtain hearing aids and research mobility tools. Over time, through continued visits, the volunteer helped the service user to start using their new mobility walker and he was later able to independently access activities.

**“It’s about listening to the individual, that’s one of the most important things.”**

– *Frontline professional*

As highlighted in 4.1.1, several stakeholders from service providers highlighted the adverse impact of COVID-19 on people’s feelings of

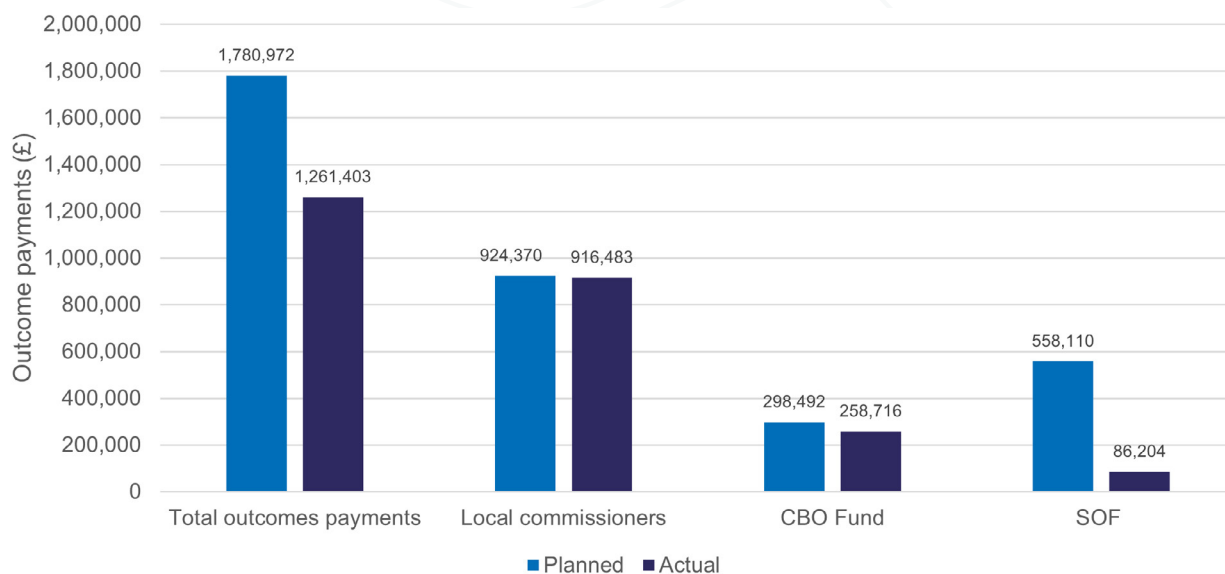
loneliness and social isolation. One professional described seeing a “*deterioration*” in people because they were not able to go out.

### 4.3.3 Commissioner payments and investor returns

Reflecting the lower-than-expected number of service users engaged in Reconnections – and subsequent number of service users achieving outcomes – the total outcome payments made to Reconnections by the commissioners was lower than planned (see Figure 8), with commissioners paying £1,261,403 (71%) of the planned £1,744,094 at contract award. The local commissioners paid the vast majority (99%) of their planned outcome payments, with CBO paying 87% (£258,716 out of a planned £298,492 at median

scenario). This is partly because outcomes improved, but also because (as Table 2 shows) CBO and LAs paid more per outcome from 2018 onwards, than the original tariff. SOF paid much less than anticipated because its funding was supposed to be used for earlier outcomes payments. However, Reconnections did not support as many people as intended in the first two years, meaning it achieved much fewer outcomes from which SOF was supposed to be co-funding.

**Figure 8: Commissioner payments – against Median Scenario**



Source: CBO data (planned figures at 'median' scenario)

Reconnections' investors planned to commit up to £850,000 to cover the cost of delivering the service. Overall, they only committed £650,000 with the balance paid as a £200K grant. The original plan included an additional £400K in grant funding, including £200K from Callouste Gulbenkian reserved for a programme evaluation. Reconnections drew down the £650,000 (or 76% of the anticipated investment amount).

#### 4.3.4 Savings

According to CBO data, the commissioners did not report on any avoided costs or cashable savings observed from Reconnections, although as highlighted in Chapter 3, this was not built into the business case (i.e. the commissioners did not plan to pay for the service with the money saved from avoiding other costs). The independent evaluation of Reconnections conducted an impact analysis of 121 individuals

Overall, investors **made a loss** on the Reconnections project. At the high scenario, expected investment returns were £570,000; at median, £200,000, and at low scenario, £0. In terms of return on investment, Reconnections **performed below the low scenario**, and overall, investors had a loss of £196,000 (a money multiple of 0.7 compared to the plan at median scenario of 1.24).

who whom pre- and post- Reconnections service data was available. The evaluation found that there were no significant differences in the overall health service costs following Reconnections, but there were reductions in A&E costs, and outpatient costs were significantly lower.<sup>27</sup> However, the authors cautioned assuming that differences were due Reconnections alone (due to methodological limitations).

<sup>27</sup> McDaid, D., Park A-L, Fernandez, J-L. 2021. Reconnections: Impact Evaluation Final Report.



## 4.4 Stakeholder experiences

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This section summarises stakeholders' views on - and experiences of working within the project, and being involved in a SIB.

### 4.4.1 Service provider experience

Representatives from the four service providers all had positive views on being involved in the project (although it should be noted that it was not possible to interview the service providers that were de-commissioned, who may have had different experiences). They often noted that it took some time for the service providers to build up strong working relationships – as they had been competitors in prior programmes – and the project introduced a new

way of working. However, regular team meetings and monthly data/learning sharing meetings helped them to build up solid relationships. Service providers also noted how being involved in the project had helped them think about service delivery in a more flexible way, and encouraged them to think outside of the box. Being involved in discussions about the data and the insights emerging from it also helped some to change their monitoring systems in other projects.

“So Reconnections for us transformed the charity, to put it in a position where it’s grown and developed throughout that period of time. Therefore my assessment of Reconnections as a service provider in Worcestershire, I couldn’t have expected more from it.”

– *Service provider*

Largely, aside from Age UK (which invested in the SIB), service providers did not have to deal with the ‘SIB’ aspect of the project, in terms of liaising

with investors, ongoing data management and worrying about the outcomes payments, because they were contracted on a fee-for-service basis.

“[They did] the behind-the-scenes work dealing with the outcomes and finance and everything else. We just got paid at the end of the month and carried on doing the work that we were doing.”

– *Service provider*

### 4.4.2 Commissioner experience

A representative from the local commissioning partnership described how the original prospect of being involved in a SIB seemed exciting, particularly how it created “a buzz around the room” in terms of being able to innovate and test different approaches to reducing loneliness and social isolation in Worcestershire. However, they noted that the process of setting up the SIB was very time-consuming, and there was a general nervousness within the

commissioning organisations about commissioning a SIB, particularly from the procurement perspective. The stakeholder highlighted that commissioning Reconnections was more challenging than normal because it was a SIB, and that it required specific technical skills, for example around setting out the outcomes payments, the weighting of the payments and their timing. Furthermore, if they were commissioning a non-SIB then they felt that there

would have been many more bids received (compared to just the one received for Reconnections). They suggested that it being a SIB may have reduced competition. From programme monitoring reports, commissioners highlighted that the project generated useful learning throughout its delivery

#### 4.4.3 Intermediary experience

Stakeholders from Social Finance and the Reconnections SPV reflected on their experience in a positive way. They felt that the project was successful in its approach as a 'test and learn' project (both in terms of testing the approach to service delivery, as well as using the SIB model), and was able to test different things, such as whether loneliness could

period, that fed into ongoing decision-making about commissioning services. In particular, the learning about the volunteering model used in Reconnections helped inform decisions about commissioning a new loneliness service in Worcestershire after Reconnections referrals ended (see Section 6.0).

be addressed through a SIB, insights on the use of the UCLA measure for outcome payments, and if service users would experience better outcomes. They also highlighted the learning that Reconnections generated and how this informed the development of other loneliness services (see Section 6.0).

“Locally there’s been a transition to a new service. It’s been recommissioned for a broader range [of people], but that wouldn’t have happened if the methodology hadn’t been proven in the results [of Reconnections]... it’s been embedded in the local area, with local charities, local providers etc.”

– Reconnections stakeholder

#### 4.4.4 Investor experience

The four investors interviewed had similar views. They were disappointed with the financial loss made on the project (see Section 4.3.3) and that their organisations would not break even on their investment. One investor representative (who had not been involved in the decision to make the investment) noted that they were “*incredibly sceptical*” about the original concept of the project, in terms of its structural, operational and management challenges, and they felt things were turned around when the SIB Director was brought onto the project.

However, they were satisfied with the social impact that the service had, in terms of improving

loneliness for many of the service users engaged. Their involvement in the day-to-day running of the project had been fairly limited and they were mostly in contact with Social Finance, who kept them updated on any key developments.

Despite experiencing a financial loss on Reconnections, two of the investors from the Care and Wellbeing Fund highlighted that they continued to invest in other CBO and Life Chances Fund SIBs, which were performing well. One of the investors felt that it had been a good thing to be involved in, but it also reduced their appetite to invest in future SIBs, given their experience with the financial loss.

“In a way, as the one of the first investors in a SIB, it’s been really good that [our organisation] has been involved, to test a model of innovation, a new model of contracting and financial mechanism. It helps with credibility and learning about what works.”

- *Investor*

#### 4.4.5 The CBO team experience

From the perspective of the CBO, Reconnections’ performance across multiple measures – e.g. service user engagement, outcome payments paid, investor returns – was below the ‘low’ scenario set out in the award. The CBO Fund was open to considering if Reconnections could extend their referral period to deliver a modified service (e.g. designed with social distancing restrictions in mind) during COVID-19 to help support more people to achieve outcomes. A CBO Fund stakeholder highlighted how the North East Lincolnshire SIB and Devon Diabetes (which have both been loss makes so far for investors) had continued engagement through social distancing and questioned if Reconnections could have either drawn down further investment to help extend the referral period or adopt some of the engagement strategies applied in other social prescription related SIBs. While Reconnections continued to deliver a modified service to existing service users, new referrals into the service stopped before COVID-19.

As mentioned earlier, all stakeholders eventually agreed to move to an outputs-based model temporarily, although the CBO Fund team was disappointed that investors left it to the commissioners to cover the fee-for-service and proxy output costs during COVID-19.

Overall, the CBO Fund team was pleased that over 1,100 people benefitted from Reconnections, and that the project was replicated elsewhere in fee-for-service contracts (see Section 6). It was also pleased that the investors could use the capital that was returned from Reconnections to reinvest in other CBO SIBs, such as the End of Life Care Incubator SIBs. However, stakeholders from the National Lottery Community Fund were disappointed by Reconnection’s inability to evidence any savings at the end of the grant, despite savings being agreed at £3,470,000 in 2019.

# 5.0 Successes, challenges and impacts of the SIB mechanism

This chapter discusses the overall learning, in terms of the successes, challenges and impacts, of funding Reconnections through a SIB mechanism, compared to funding this project through another mechanism (such as fee-for-service or PbR). These insights were

drawn from asking stakeholders to compare their experiences of being involved in a SIB with similar non-SIB services. The section also addresses overall value for money, as judged by both stakeholders and, so far as possible, independently by us as evaluators.

## 5.1 Successes and challenges of the SIB mechanism

### 5.1.1 Successes

– **Flexibility to change and innovate with delivery:** As highlighted in Section 3.3, a key motivation for using a SIB approach was to encourage more creativity and innovation in delivering services in Worcestershire. There was strong consensus across stakeholders interviewed for the third in-depth review and in previous in-depth reviews that working within an outcomes-based funding model enabled the Reconnections team to work flexibly and adapt their service delivery to the needs of the service

users. One delivery provider noted that they would not have had this flexibility in fee-for-service contracts, where they would be paid for a specific set of services being provided. The specific added value of the SIB in this context was that the investment could be used flexibly to invest in changes to the service. For example, bringing in the SIB Director and overhauling the volunteering approach introduced additional costs (see Section 5.2.1), but it did result in an improvement in the number of outcomes being achieved.

“One of the main drivers for the SIB is being innovative, trialling new things, taking some risks, and I think that’s what happened. We were able to do that.”

– *Service provider*

This ability to innovate with delivery had lasting impacts for service providers. For example, one service provider representative described how in Reconnections they piloted an approach to work intensively with people who were struggling with their mental health. They saw positive outcomes from the trial, and they later went on to deliver this as a standalone service (see Section 6.0).

– **Better performance management and use of data:** A common theme throughout the interviews for the in-depth reviews was

the strong performance management of the project. Stakeholders reflected that throughout Reconnections, there was a strong focus on the emerging data and insights, regular review meetings to ‘course correct’ if needed, and scrutiny from the independent board and investors. While some stakeholders noted that all contracts they had been involved in had some level of performance management, working within a SIB (with the additional scrutiny from impact investors) forced a constant focus on the data and

measures to ensure that outcomes were achieved for as many of the engaged people as the service could manage to deliver to. One stakeholder described how the outcomes focus meant that they continually took measures (e.g. improving the volunteering approach, identifying different types

of activities to deliver) to improve the performance of the service. Linked to improved performance management, stakeholders across the project highlighted the positive impact of investors' involvement in Reconnections, in terms of bringing additional insights and scrutiny of performance.

“The expertise from the investors – their background and knowledge that they could bring. We’d go to board meetings and there would lots of them giving advice and being helpful.”

– Service provider

- **Enabled wider outcomes-focused culture among service providers:** As highlighted in the second in-depth review, there was consensus across the service providers (i.e. the ones who remained after Reconnections ended some providers' contracts) that being involved in the Reconnections SIB inspired some behaviour change. Even though service providers were paid

on a fee-for-service basis, joining the monthly data review meetings helped them to think increasingly about outcomes and how best to measure them in terms of their wider (non-SIB) delivery. For example, one service provider representative highlighted how they started measuring outcomes in their wider work, to help demonstrate their impact and strengthen bids for other contracts.

“I liked the SIB because it was helping us make sure that the end user is the most important aspect.”

– Service provider

- **Greater quality of outcomes and social impact:** As highlighted in Section 4.3.2, while Reconnections did not achieve its intended number of service users, relative to the number service users engaged, it did perform well on the outcomes achieved. Linked to the point about

better performance management, Reconnections was able to use the investment flexibly to overhaul the delivery and management of the project. Stakeholders generally perceived that this supported a greater average reduction in loneliness compared with the original target.

“The numbers were important, of course, but quality of service was important. You needed people to be supported well. We just had to fix the quality issue first, and not the quantity issue. It would have been easy, if it was a traditional contract, to continue the focus on the referral numbers. [In Reconnections] the commissioners didn’t mind because they were only paying for outcomes. So they were paying for quality outcomes.”

– Service provider

## 5.1.2 Challenges

### – **Business case overestimating performance:**

A fundamental issue with the performance of Reconnections was that it did not engage the intended number of service users (see Section 4.3.1), which had subsequent impacts on the number of outcomes achieved, the amount of outcomes payment made, and the financial loss that investors had on the project. Stakeholders highlighted that, with hindsight, the figures for the needs, demands and potential take-up of the service were over-estimated. Stakeholders from Social Finance highlighted that it was very difficult to accurately predict key metrics such as current loneliness levels of the cohort, the expected impact (i.e. changes in loneliness after the intervention) and the actual size of the cohort. One stakeholder commented that this was compounded further by providers bidding to deliver the intervention overstating their capabilities (for example, how many volunteers they had). This meant that, to some extent, Reconnections was built on the 'wrong' assumptions, which resulted in "*over-estimation, rather than underperformance*" (Social Finance stakeholder).

### – **Uncertainty of outcome payment obligations:**

a representative from the commissioners highlighted that there was general unease within the commissioning organisations about the levels of uncertainty about when outcome payments would be due and how much they would be. The commissioners tended to like regular payments and know how much they would spend in a financial year. One stakeholder highlighted how local authorities sometimes have to "*use or lose*" their annual budgets, meaning any uncertainty on whether expenditure would be realised on a project created further issues for securing future funds for budgets. The National Lottery Community Fund highlighted that they spent time agreeing the levels of funding and subsequently working with the lead commissioner to profile payments to try and help overcome this issue as far as possible.

### – **Insufficient to only use a self-reported outcome measure for an outcomes-based contract:**

as initially highlighted in the second in-depth review, and as a continued theme in interviews with stakeholders for this final in-depth review, many of the service provider stakeholders voiced their concerns about the outcome measure linked to payment – a reduction in loneliness on the UCLA scale at six and 18 months post-referral – because it was self-reported. This meant that it could be affected by short-term fluctuations in people's perceptions. While the long-term focus (with measures at six- and 18 months after referral) was viewed by stakeholders as a positive aspect of the project, they did feel that it did not provide a 'true' picture of someone's loneliness. However, stakeholders also felt that there were limited other options for outcomes measures of loneliness that would be suitable for use in this context. As noted in the second in-depth review, this raises a wider question of whether a PbR approach is appropriate for a loneliness service, when the intended outcome is difficult to measure and relies on an individual's subjective view of their situation.

– **Lack of a counterfactual:** There was no counterfactual built into the outcome payment, as the business case assumed that individuals' loneliness would not improve if they did not receive support. As highlighted earlier, other research has found that loneliness outcomes can improve without external professional support. The independent evaluation of Reconnections did not include a counterfactual impact evaluation (i.e. comparing the Reconnections SIB to a similar service not run through a SIB) so there is limited quantitative evidence available on the impact of the SIB on delivery. A commissioning stakeholder reflected that they were disappointed that there was limited evidence available on the impact of the SIB.

## 5.2 Value for money of the SIB mechanism

This section discusses the Value for Money of the SIB mechanism, in terms of the four 'E's – economy, efficiency, effectiveness and equity. These are examined for the Reconnections project in turn, below.

### 5.2.1 Economy

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

Economy, and keeping costs to a minimum, is generally of less importance than the other VFM dimensions in SIBs and outcomes-based contracts (OBCs). This is because keeping costs to a minimum can work against the overriding objective of maximising outcomes achieved – especially when those outcomes are intended to create savings or otherwise justify the spending on the intervention. It is however still important that costs are as low as they can be while being consistent with this overriding objective.

Table 2 provides an overview of the costs of Reconnections, set out in terms of the costs of the delivery by providers, and the costs of the delivery of the SIB:

- Total delivery costs (by providers) were slightly less than planned (£1,263,246 compared with £1,287,178 planned), although data collection costs were unanticipated and ended up costing £20,000. Delivery costs made up 68% of overall costs.
- SIB-related costs were £335,991 (compared with a planned £827,233 at median scenario), although most SIB management costs were higher than planned – the total SIB costs were lower because there were no investment returns for Reconnections to repay (because investors made a loss). SIB costs made up 18% of overall costs.
- Other costs were £200,000, which were spent as planned. Other costs made up 11% of overall costs.

Overall, this suggests that the SIB costs were not economical. In contrast, the delivery by providers cost below the planned amount.

**Table 3: Reconnections project costs**

Type	Description	Planned <sup>28</sup>	Actual Amount	% of Total (Planned)*
Delivery costs	Delivery by providers	£1,037,000	£955,985	51% (43%)
	Delivery oversight by AUKHW	£249,678	£287,261	15% (10%)
	Data collection	£0 <sup>29</sup>	£20,000	1% (0%)
	Social Finance Performance Support	£62,500	£58,166	3% (3%)
SIB costs	Investment Return	£570,822	£0	0% (24%)
	Social Finance Performance Support	£62,500	£58,166	3% (3%)
	Performance management of SIB	£151,250	£155,600	8% (6%)
	Data analysis	£25,000	£72,250	4% (1%)
	SPV costs	£63,750	£31,827	2% (3%)
	SIB contract management	£0	£49,814	3% (0%)
	Investment set-up	£26,500	£26,500	1% (1%)
Other	Evaluation and Learning <sup>30</sup>	£200,000	£200,000	11% (8%)
<b>Total</b>		<b>£2,387,000</b>	<b>£1,857,403</b>	

**Source:** Cost information submitted by Reconnections to The National Lottery Community Fund. \*Planned costs provided by The National Lottery Community Fund.

<sup>28</sup> At award, in line with a median scenario.

<sup>29</sup> Stakeholders involved noted that data collection costs were planned, but were included in planned delivery costs (and not a separate budget line)

<sup>30</sup> Evaluation and learning costs were covered by grant-funding from Callouste Gulbenkian.



Whether or not the service could have been delivered at a lower cost is difficult to ascertain. As one investor stakeholder noted, *“there was no real evidence around the delivery cost from the outset, so we were flying blind a bit when it came to the economics”*. As investors made a loss, commissioners likely paid less for Reconnections as a SIB than they would have in a fee-for-service contract.

However, there is evidence that the SIB could have been delivered more economically. As discussed in the [first in-depth review](#), Worcestershire County Council used open procurement to procure a

provider for the SIB. Stakeholders felt that the process would encourage the provider to submit a ‘better offer’ by potentially introducing a possible level of competition from other bidders, which in turn could stimulate more innovation, better value for money, and more cost-effectiveness. However, the procurement process only generated one bid, i.e. the Reconnections consortium, so the extent to which this procurement process generated competition that would drive down costs was limited, as a lack of competition would undermine their ability of choosing the most economically advantageous tender.

### 5.2.2 Efficiency

**Short definition: Ensuring sufficiency and optimisation of agreed resources to deliver expected activities and outputs as well as they possibly can be**

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

In relation to its original projections of the target number of service users engaged, Reconnections did not perform well, and it was arguably not ‘efficient’, as it only engaged 31% of its intended service users, i.e. the referral process was quite inefficient. A key caveat is that the complexity of need of service users was much higher than expected, meaning the project had less capacity to support as many people as it intended. Similarly, as highlighted earlier, stakeholders interviewed suggested that some people were reluctant to state how lonely they were really

feeling at initial assessment, and it was not until they started working more closely with Reconnections that this became clearer. With this caveat in mind, the cost-per-service user for Reconnections (taking the overall costs and dividing it by the number of service users supported) was £1,080.46, compared with a projected cost-per-service user of £274.51 at the median scenario at award.<sup>31</sup> While there were additional costs in revising the model (including making improvements to the volunteer model), there was, however, strong consensus across the stakeholders interviewed that this investment was worth it because it improved the quality of outcomes (as documented Section 4.3.2) meaning that a higher proportion of service users than intended achieved positive outcomes following Reconnections (see below). In addition, other adaptations to the service model, such as bringing in more caseworkers, also helped ensure that Reconnections could continue to work intensively with service users with more complex needs. Therefore, while there were additional costs, stakeholders felt these were used efficiently to help improve outcomes and ensure equity in the service.

<sup>31</sup> CBO Fund varied the award in 2018, and amended to trigger prices from £240 per individual achieving both the six and 18 month triggers to £740, reflecting the higher cost-per-service user.

### 5.2.3 Effectiveness

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

Since effectiveness is a measure of outcome it is almost by definition the key dimension for an outcomes-based contract. As highlighted in Section 4.3.2, because of the lower-than-expected number of service users engaging in Reconnections, the overall number of outcomes achieved was lower than planned. However, also as noted throughout this report, the proportion of service users supported achieving outcomes was higher than originally planned (there were

outcomes for 75% of service users, compared to the anticipated 42%) and the cohort was generally experiencing a higher complexity of need than originally anticipated. Therefore, the ineffectiveness was more in the planning than the delivery.

In terms of the broader objectives of Reconnections, there was a strong consensus across the stakeholders interviewed that Reconnections, as an experimental SIB, had led to an enhanced understanding of developing and delivering SIBs, through its work on sharing learning (from its own work and the independent evaluation<sup>32</sup>) both within the deliver partnership, but also more widely (see Section 6.0).

“The fact that it’s been piloted in two other sites is a sign of success. It wouldn’t be seen as successful if the model hadn’t been replicated elsewhere, and it is a big marker that it has gone well. For [investor] even though the investment has not been paid back fully, it doesn’t mean it’s not been a success, it doesn’t detract from the fact that it’s had a big social impact.”

- *Investor*

### 5.2.4 Equity

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

A common theme from the original procurement of Reconnections through to the end of delivery was the intention for the service to be flexible so that the support could be developed according to the goals and aims of the service users. In the original service specification, the commissioners stated that “the provider will have a high degree of freedom and flexibility to shape service delivery to meet the outcomes within predetermined parameters”, and highlighted the need to “address the diverse needs of different groups within the population”. There was strong consensus across the stakeholders that the SIB model, with its stronger focus on

outcomes over process, provided this flexibility.

As discussed in Section 5.1, stakeholders felt that the commissioners had ensured, through the contractual requirements, that referral mechanisms into the service were robust, fair and targeted at those it intended to reach. There was consensus across the stakeholder interviewed that perverse incentives, such as cherry-picking service users, were avoided. The requirements put in place (see the [first in-depth review](#)) included:

- Specifying that Reconnections needed to, in part, target individuals living in Super Output Areas containing high levels of deprivation
- Ensuring that everyone who was referred into the service and who scored above the threshold would be supported in some way. As discussed

<sup>32</sup> <https://www.lse.ac.uk/cpec/assets/documents/Reconnections.pdf>

throughout this report, Reconnections offered different levels of support depending on the complexity of service users' needs (e.g. with some people being supported by a volunteer and others being supported by a case worker).

- The service providers were not penalised if those they supported became more lonely and isolated during the intervention, as this recognised that the service providers were working with some people with very complex needs.

It is difficult to assess if the intervention was successfully targeted at those it intended to reach, because it fell short of its service user engagement volume requirements. As we have highlighted,

### 5.2.5 Overall cost effectiveness

**Short definition: The optimal use of resources to achieve the intended outcomes.**

Overall, given the higher-than-planned costs of Reconnections (especially in terms of the cost of managing the SIB) and the lower-than-anticipated number of service users supported, the Reconnections project was **not good value for money in terms of economy**, especially in terms of the SIB management costs that were much higher than planned (except for costs relating to investment return). In terms of **efficiency**, Reconnections reached fewer service users than intended, but there was strong consensus across stakeholders, alongside evidence from the Independent Evaluation highlighting the (on average) high loneliness scores at referral, that service users had a higher levels of complex needs than expected.

Based on the evidence available, we conclude it **was better value for money in terms of effectiveness and equity**. For those service users that were supported, Reconnections facilitated positive outcomes, at both a larger scale and magnitude than expected. Those supported were also generally the intended target group; this was facilitated by having robust eligibility criteria and referral mechanisms. There were also wider spill over effects for the delivery provider organisations (e.g. increased capacity).

the business case simply overestimated the number of people who would be eligible for the service, and Reconnections' capacity to work with more people was limited because service users needed far more support than anticipated.

Service providers who stayed on in Reconnections were generally satisfied with the project management and how involved they were regarding how decisions about ongoing service delivery were made. For example, all of the stakeholders were satisfied with the weekly frontline meetings and monthly contract meetings to discuss 'course correction' at both the operational and strategic levels.

A key feature of the SIB - the ability to adjust service delivery and utilise investment flexibly - enabled Reconnections to overhaul the management and delivery of services. While this came at a higher cost – because it required additional investment to pay for the SIB Director's role on the project, as well as changes to the volunteer model – it did appear to improve Reconnections' performance both in terms of engaging service users, volunteers and generating outcomes. There was consensus across stakeholders that ongoing data analysis and sharing insights (which were encouraged through the SIB) were important for performance management. Therefore, it appears that the SIB element of Reconnections did support increased effectiveness of the service.

As we have highlighted throughout this report, underestimations in the business case modelling meant that Reconnections vastly underperformed in relation to its target number of service users supported, suggesting that value-for-money was low. However, once we consider the complexity of need of the service users, and that Reconnections was effective in supporting reduced loneliness against those it did support, value-for-money, particularly in terms of efficiency, effectiveness and equity, appears higher. **Under the SIB model, the higher costs (i.e. economy) were borne by the investor, suggesting that this service was good value-for-money for the commissioners.**

## 6.0 Legacy and sustainability

This section describes what happened after Reconnections ended, and how learning from Reconnections shaped the development of other projects. It also discusses the 'legacy effects' for stakeholders involved in Reconnections.

The Reconnections SIB **delivery came to an end in March 2020**, with no referrals after this, though **246 further outcomes assessments were completed up to August 2021**. Several things then happened relating to the Reconnections model:

- Using the learning generated from Reconnections, particularly in terms of the successful model of recruiting, engaging, training and supporting volunteers, Worcestershire County Council and the CCGs decided to co-commission a new loneliness service, expanding its remit to support all adults aged over 18. The service, called 'People Like Us' (PLUS) started in March 2020, and used a similar model of delivery to Reconnections. Three of the service providers involved in the Reconnections SIB - Onside Advocacy, Worcester Community Trust, and Simply Limitless – bid for - and were successful

in - becoming the delivery consortium for the contract. The commissioners commissioned PLUS through a fee-for-service model, rather than a SIB or PbR model. The stakeholders interviewed for the third in-depth review were not directly involved in the commissioning, so they did not know explicitly the reasons for not recommissioning PLUS through a SIB (this highlights the importance of keeping records of lessons learned – see conclusion). However, one commissioning stakeholder that was tangentially involved suggested that the commissioners did not want to go through the long process of setting up a new SIB (particularly the process of identifying and setting outcomes payments for a service with the aim of reducing loneliness), and were happy with the service specification for the new model because it had been tested during Reconnections. Service provider stakeholders involved in the new PLUS project highlighted that many of the practices developed through the Reconnections SIB – e.g. capturing outcomes and the close monitoring of progress, had been continued.

“The service is very similar, the largest change is the age range, going from 50+ to 18+ and the model has been kept very similar. The measures, the monitoring and the UCLA, has been built into it. So they obviously very much value what Reconnections was. There's a slight change in focus around other services, and getting other services on board, but in the main the project is the same, and that's a credit to all of the work that has been done in Reconnections.”

– *Service provider*

- In 2018, while the Reconnections SIB was still in its delivery phase, a UK-based charity called Independent Age initiated some conversations with the Reconnections management team, to explore how the Reconnections model could be tested and developed elsewhere. Keen to

**replicate the model, Independent Age bought the intellectual property off Reconnections and in 2020-21 launched two new pilots:** in Barking and Dagenham and in Guildford and Waverley. As pilot projects, the services were mainly funded by Independent Age, as

grant-funded provision, but Independent Age was also able to secure some commitment from local commissioners to fund the pilots. They wanted to test how easily the model could be replicated, especially in areas such as Barking and Dagenham and Guildford, which are very different both geographically and demographically, to Worcestershire. The pilots were planned to run for two years, and Independent Age would continue to explore the feasibility of developing the pilots into full services, depending on commissioner appetite and findings from the pilot evaluation.

- Programme monitoring reports and stakeholder consultations also highlighted that Social Finance shared the learning from Reconnections to help **inform the development of another loneliness SIB** in Israel. The SIB launched in 2021 and was the first SIB to use investment raised through crowdfunding.<sup>33</sup>

As highlighted in Section 5.1, one of the perceived successes of involvement in the SIB for the service providers was that it encouraged their organisations to think in a more outcomes-focused way and some had started to capture outcomes, and evidence impact, more systematically across their wider (non-SIB) services. In evidencing their impact, this had also strengthened partners' bids and helped them to secure further work. In addition, also as mentioned in Section 5.1, because of being able to innovate and test the approach in the SIB model, one organisation secured funding to continue delivering a more intensive package of support for people with mental health concerns. Generally, service providers had a positive view of SIBs and said they would consider being involved in a SIB again.

Investors interviewed from one of the organisations were sceptical about being involved in a SIB again, given the significant financial loss they incurred on Reconnections. However, they were positive about the legacy of Reconnections as a 'test and learn' project and felt that the model – through its replication in the pilots with Independent Age, and the new commissioned service in Worcestershire – had the potential to make a difference to many people.

*“One thing that's really clear is that the intervention made a massive difference. When we got the right people on the programme, and about 90% were the right people, there was a bit of experimental reach into higher and lower levels of loneliness to test the boundaries of the intervention, which was great and very much worth doing. It didn't work for everybody, but for the people whose needs were met, it made a massive difference and that's something to be really proud of... for the team and Social Finance for having conceived it in the first place. I think the great thing is that we've had those lessons and it's being shared and it's being rolled out more widely as well, so it has the potential to make a difference to an enormous number of lives.”*

- Investor

Investor representatives from the Care and Wellbeing Fund highlighted how alongside Reconnections they had also invested in other SIBs, such as the End of Life Care Incubator SIBs, and they still had appetite to invest in SIBs in the future. One investor, from an organisation that has traditionally offered grant-funding highlighted that their involvement in the End of Life Care SIBs had been transformational as it highlighted how their organisation could invest (and re-invest the returns) and make their money go further, rather than just offering grant-funding. Investors and Reconnections representatives emphasised that a key legacy of the Reconnections SIB was the learning that it had generated, not just informing the development of other loneliness programmes/interventions, but also other CBO SIBs. For example, the commissioners often shared learning with CBO London knowledge groups, and directly with the Pan-London 'Positive Families Partnership' SIB, North Somerset Council's 'Turning the Tide' SIB and Devon Diabetes SIB.

<sup>33</sup> See: <https://www.socialfinance.org.uk/editor/assets/SFI%20Impact%20Report%202020-2021.pdf>

# 7.0 Conclusions

## 7.1 Overall conclusions and evaluative insight

Overall, the use of a SIB for Reconnections was a success, because ultimately it did what SIBs are supposed to do:

- The SIB also de-risked the project for providers, because investors took on the financial risk and let the providers get on with delivery (paying them on a fee-for-service basis).
- Even though there were substantial issues with the business case modelling (meaning that service user numbers were much lower, and the complexity of service users' needs was much higher than expected), the financial risk was absorbed by investors and the project was still able to continue. This contrasts with the experience other CBO SIBs. For example, the modelling was wrong in the Mental Health and Employment Partnership but because the financial risk was shared with providers, it had a large impact on providers' ability to continue with the projects.
- With payment being tied to outcomes, and the risk being carried by investors, providers were able to collaborate, test different ideas and take risks. This helped improve the service providers' capacity (for those that remained in the project throughout).
- Reconnections generated lots of learning and provided an evidence base that was not there before, and has informed the development of other similar programmes.

However, the SIB also had some limitations:

- A consistent theme throughout the Reconnections IDRs relates to concerns with using a subjective measure to underpin the outcome payment. Many stakeholders were concerned that a measure like the UCLA loneliness score did not provide an accurate reflection of someone's overall feelings of loneliness and may be sensitive

to daily fluctuations. Reconnections is, to our knowledge, the only SIB that pays solely for soft self-reported outcomes; whilst we think it is important that SIBs pay for soft outcomes, we think this should be balanced out with a more objective 'hard' measure. The Ways to Wellness SIB, for example, includes both a self-reported 'soft' outcome (improved wellbeing) and a 'hard' outcome (cost savings for the CCG).

- The counterfactual was weak. It was not built into the payment mechanism and there was an assumption that loneliness would not improve on its own, so all outcomes experienced were due to Reconnections. Without the counterfactual it is not possible to assess robustly the extent to which the outcomes can be attributed to Reconnections and it may be possible that Reconnections commissioners paid for outcomes that would have happened anyway.
- Commissioners were attracted to the SIB because of its 'buy now pay later' ability – that the intervention would generate outcomes and lead to cost savings, which would ultimately justify the costs of the project. However, the independent evaluation found that the intervention did not produce any cost savings. Perhaps linked to this, commissioners struggled to plan for outcome payments because they did not know how much they were. Perhaps if the SIB had a stronger invest-to-save logic – in which one of the outcomes payments was explicitly linked to savings (as was the case in Ways to Wellness, which paid for reduced hospital admissions) – then these issues may have been reduced.
- Value for Money is difficult to assess because although the total number of service users was much lower than expected, service users tended to have more complex needs, meaning that providers spent more time with individuals.

Costs of the SIB were much higher than forecasted for and the original tendering process, whilst an open competition, only had one bid. However, outcomes were achieved for the service users supported, and many of those accessing the service were experiencing high levels of loneliness at referral, indicating there was equitable access.

- The COVID-19 response was limited by new referrals coming to an end in 2019, and the project not wanting to extend this deadline due to difficulties reaching a cohort of whom many were clinically vulnerable. A SIB mechanism

can be useful in crisis situations, as other CBO SIBs were able to use investment to adapt their delivery to respond to emerging needs during COVID, but this is only possible if the business case for doing so stacks up (i.e that all parties feel confident that the outcomes can be reached).

- Reconnections highlighted the limitations to SIBs' flexibility; as investors were making a loss on Reconnections at that point, the service required the outcome funders to take on some of the risk and pay based on outputs rather than outcomes, to ensure that the service would continue.

## 7.2 Achievement of CBO objectives

Table 3 assesses the extent to which the Reconnections SIB contributed to the CBO's intended objectives. Overall it paints a generally positive picture – the SIB did contribute to the CBO's objectives either partly or fully. Reconnections also supported the development of the SIB 'market'

through sharing learning and expertise to inform the development of other CBO SIBs such as Pan-London 'Positive Families Partnership' SIB, North Somerset's 'Turning the Tide' SIB and the Devon Diabetes 'Healthier Living Partnership' SIB.

**Table 4: Assessment of Reconnections' contribution to CBO objectives**

Objective	Extent to which achieved	Supporting evidence
<p><b>Improved skills and confidence of commissioners with regards to the development of SIBs</b></p>	<p>Partly</p>	<p>The senior representative in the Commissioner had worked with a number of SIBs previously meaning they only partially saw their skills improve. The largest learning was in relation to those working in procurement who overcame a steep learning curve to help procure and then monitor outcomes and payments attached to Reconnections.</p>
<p><b>Increased early prevention is undertaken by service providers, including voluntary, community and social enterprise (VCSE) organisations, to address deep rooted social issues and help those most in need</b></p>	<p>Fully</p>	<p>The original business case for the SIB highlighted that there was a lack of existing provision within the region, and there was very little co-ordinated activity happening. Therefore, Reconnections increased the early prevention activity in Worcestershire, with all of the activity being delivered by VCSE organisations. This activity has also been sustained through the fee-for-service loneliness programme that was commissioned in Worcestershire following Reconnections, alongside the replication of other Reconnections pilots in two other areas in the UK.</p>
<p><b>More service providers, including VCSE organisations, are able to access new forms of finance to reach more people</b></p>	<p>Fully</p>	<p>The Reconnections SPV subcontracted the VCSE service providers on a fee-for-service basis, so the VCSEs did not technically draw down working capital. However, the overall project was enabled by the availability of social investment, so VCSEs benefitted in that respect, and they benefitted from the social investment sustaining the project particularly when service user numbers were low and outcomes were not being achieved early on.</p>
<p><b>Increased learning and an enhanced collective understanding of how to develop and deliver successful SIBs or broader outcomes-based contracts</b></p>	<p>Fully</p>	<p>There was a strong consensus across the stakeholders interviewed that Reconnections, as an experimental SIB, had led to an enhanced understanding of developing and delivering SIBs, through its work on sharing learning both within the delivery partnership, but also more widely. The learning from the Reconnections SIB informed the development of other SIBs (see Section 6.0).</p>



## 7.3 Lessons learned for other projects

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- **A test-and-learn SIB could be an appropriate option for philanthropic organisations wanting to trial social investment** (as opposed to grant funding) because they may have a higher risk appetite than other investor types. In Reconnections, the philanthropic investors had varying levels of risk appetite, but Care and Wellbeing Fund representatives had broader strategic objectives to test the use of social investment over grant funding, and to generate learning from an innovative project. While Reconnections reached fewer people than expected, these investors felt that the good outcomes for those supported through Reconnections, the learning generated, and the opportunity to test the SIB model, outweighed the negative experience of poor financial returns.
- **The development grant, and top-up provided by CBO, was a key motivator for commissioners to opt for the SIB model.** This has important implications for the future development of SIBs, in that commissioners need to be satisfied with level of resource needed to develop a SIB, alongside how much they may need to pay in outcomes. Worcestershire Country Council commissioned an expanded loneliness service through a fee-for-service model, with some evidence to suggest that they did not want to spend a long time developing another SIB.
- **Cashable savings may not be realised as planned and developing a business case to use a SIB to ‘plug a funding gap’ (i.e. paying for outcomes from the savings made from not needing to pay for acute services) needs to be done with caution.** A motivator for the Reconnections SIB for commissioners was that it would generate cashable savings (e.g. through fewer people needing acute services such as primary care), through which they could pay for the outcomes. This did not happen in practice (the eventual savings were not realised) suggesting that building the business case on the assumption of cashable savings was flawed.
- **Using a subjective measure for evidencing the outcome tied to payment is risky and all stakeholders involved need to be comfortable with its use from the outset.** In Reconnections a key issue flagged by stakeholders was the use of the UCLA tool for measuring the loneliness outcome, as it only provided a ‘snapshot’ of people’s feelings of loneliness, which can fluctuate over time. Use of administrative data alongside subjective measures may have facilitated more confidence in the model across all stakeholders involved.

## Annex 1: SIB dimensions used for comparative analysis

Dimension	1: Nature of payment for outcomes	2. Strength of payment for outcomes	3. Nature of capital used to fund services	4. Role of VCSE in service delivery	5. Management approach	6. Invest-to-save
Question examining degree to which each family aligns with SIB dimensions (1 = a little, 3 = a lot)	To what extent is the family based on payment for outcomes?	To what extent does the outcome measurement approach ensure outcomes can be attributable to the intervention?	To what extent is a social investor shielding the service provider from financial risk?	Is delivery being provided by a VCSE?	How is performance managed?	To what degree is the family built on an invest-to-save logic?
Scale	<p>3 - 100% PbR and 100% of the PbR is tied to outcomes</p> <p>2 - 100% PbR, with a mix of outcome payments and engagement/output payments</p> <p>1 - Partial PbR: Split between fee-for-service payments and PbR</p>	<p>3 - Quasi-experimental</p> <p>2 - Historical comparison</p> <p>1 - Pre-post analysis</p>	<p>3 – Investor taking on 100% of financial risk; service provider fully shielded and receives fee-for-service payments</p> <p>2 – Investor and service provider sharing risk; service provider paid based on number of engagements</p> <p>1 – Investor and service provider sharing risk; service provider paid (at least in part) on outcomes and/or has to repay some money if outcomes not achieved</p>	<p>3 - VCSE service provider</p> <p>2 - Public sector service provider</p> <p>1 - Private sector service provider</p>	<p>3 - Intermediated performance management: An organisation external to the ones providing direct delivery of the intervention is monitoring and managing the performance of service providers</p> <p>2 - Hybrid: A 'social prime' organisation is responsible for managing the performance of their own service provision, and the performance of other service providers</p> <p>1 - Direct performance management: The organisation delivering the service is also responsible for managing their own performance, and there is no external intermedia</p>	<p>3 – SIB designed on invest-to-save logic, with savings generated used to pay for outcome payments</p> <p>2 – SIB designed on a partial invest-to-save logic; SIB anticipated to generate savings to commissioner, but these are either not cashable and/or will not cover the full outcome payments</p> <p>1 - SIB not designed on invest-to-save logic; savings either do not fall to outcome payer and/or savings not a key underpinning logic for pursuing a SIB</p>

